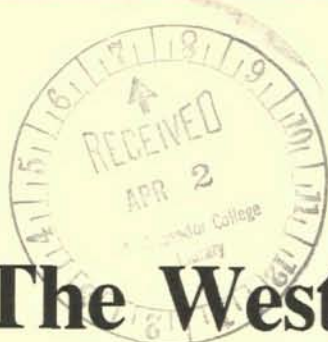


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The Western Pacific

- The United States and the Western Pacific—*Norman D. Palmer*** 145
- Australia and New Zealand in the 1980's—*Henry S. Albinski*** 149
- The Philippines: End of an Era—*Belinda A. Aquino*** 155
- South Korea: Trouble Ahead?—*Bruce Cumings*** 159
- North Korea's New Pragmatism—*Young Whan Kihl*** 164
- Taiwan: New Challenges to Development—*John F. Copper*** 168
- Indonesia: Economic Growth and Political Order—*John James MacDougall*** 172
-
- Book Reviews—*On East Asia*** 176
- The Month in Review—*Country by Country, Day by Day*** 186
- Map—*The Western Pacific***—Inside Back Cover

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AFRICA, 1986

May, 1986

Political unrest in South Africa, United States policy choices in southern Africa, famine relief in Ethiopia and post-coup Sudan are among the topics discussed in the next issue.

United States Policy in Southern Africa

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Angola

by JOHN MARCUM, University of California,
Santa Cruz

Kenya

by MICHAEL LOFCHIE, University of California,
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Current History

APRIL, 1986

VOL. 85, NO. 510

The nations of the Western Pacific have become the focus of attention because of their growing economic importance and because some are experiencing political turmoil. The region has become increasingly important to the United States. As our lead article notes, "the United States has been a major actor in the Western Pacific" since World War II, but a "new era is dawning in the Western Pacific, and the United States would do well to understand its nature and implications."

The United States and the Western Pacific: Understanding the Future

BY NORMAN D. PALMER

Professor Emeritus of Political Science, University of Pennsylvania

IF you want to understand the future," Secretary of State George Shultz said in an address in San Francisco in March, 1983, "you must understand the Pacific region."¹ The lack of such basic understanding is a serious impediment to the evolution of satisfactory relations with a complex and rapidly changing part of the world.

Since World War II, the United States has been a major actor in the Western Pacific, an area encompassing three major subregions: East Asia, Southeast Asia and the Southwest Pacific. This fact has been acknowledged by virtually every leader in the region and in the United States. The new dimensions of the United States relationships with the region are largely of a military-security character, although political and economic considerations are more important than is generally recognized.

American policymakers must give special attention to three broad trends in the Western Pacific that seem to

¹"The U.S. and East Asia: A Partnership for the Future" (Address by Secretary of State George Shultz before the World Affairs Council of San Francisco, March 5, 1983); published in United States Department of State, Bureau of Public Affairs, *Current Policy*, no. 459, p. 1.

²For overviews of the changing strategic environment see Donald S. Zagoria, "The Strategic Environment in Asia," in Donald S. Zagoria, ed., *Soviet Policy in East Asia* (New Haven: Yale University Press, 1982); and Peter Polomka, "The Security of the Western Pacific: The Price of Burden Sharing," *Survival*, vol. 26, no. 1 (January-February, 1984).

³For a summary of the Department of Defense report and other relevant information, see William R. Feeney, "The Pacific Basing System and U.S. Security," in William T. Tow and William R. Feeney, eds., *U.S. Foreign Policy and Asian-Pacific Security: A Transregional Approach* (Boulder, Colo.: Westview Press, 1982).

portend a new era in the region. On the political front, most Western Pacific nations are becoming more self-confident and assertive and are playing a more active and independent role in regional and world affairs. On the economic front, the dominant trend for some years has been the remarkable economic growth of many countries in the region (with China joining this group recently, and with the Philippines continuing to be a sad exception). The engine of rapid growth, however, seems to be slowing because of many factors, including the economic slowdown in the United States and other major Western markets, fewer sources of capital, and the growing "maturity" of the economies of the most rapidly developing countries. On the security front, there has been a growing recognition of the Soviet "threat" in the entire region.² While this is an important development, the United States should recognize that few if any nations in the Western Pacific fully share the American perception of this threat.

The United States, like the Soviet Union, maintains a formidable military presence in the East Asian-Western Pacific region. According to the United States Department of Defense, as of March, 1981, the United States deployed 340,241 military personnel in this region. Of these, 168,611 were afloat—146,719 in the Third Fleet, which has responsibility for much of the Pacific and all of the Indian Ocean, and 21,892 in the Seventh Fleet, which operates in East Asian waters. Of the land-based American personnel, 46,137 were stationed in Japan (including 29,782 on Okinawa), 37,883 in South Korea and 15,664 in the Philippines.³ In four of the countries of the Western Pacific—Japan, South Korea, the Philippines and Aus-

tralia—the United States maintains significant military facilities and installations by treaty agreement.

The extensive American-led alliance system in the Western Pacific is still in place. But its effectiveness is constantly in question, both because of doubts about United States capabilities, commitments and will, and because virtually all the alliance partners disagree on the value and the dangers of the alliances. The United States has mutual cooperation and security treaties and understandings with Japan, South Korea, the Philippines, Thailand and Australia. It also has an important trilateral security arrangement with Australia and New Zealand (the Australia–New Zealand–United States security treaty known as ANZUS), a long-standing association that is facing possible termination because of United States–New Zealand differences over port calls by nuclear-powered or nuclear-armed warships.

AMERICAN–SOVIET CONFRONTATION

The East Asian–Western Pacific region is a major theater of confrontation between the United States and the Soviet Union. Each superpower regards the other as the major threat in the region (as elsewhere), and many of the regional policies and activities of each superpower are directed against the other, or at least with the other primarily in mind. The countries of the Western Pacific are deeply concerned with the superpower presence and rivalries in their region. Most of them are linked closely with one of the superpowers:

The rift between the Soviet Union and the People's Republic of China freed the United States of one of its nightmares in East Asia—the possibility of a challenge by the combined military strength of the two Communist giants. The United States realizes that in this stage of development China, despite its huge military forces, is not a counterweight to the Soviet Union. It also realizes that the Soviet threat is diminished as long as some 50 Soviet divisions are stationed along the border with China and a substantial number of Soviet ground, air and naval forces, IRBM's (intermediate-range ballistic missiles) and ICBM's (intercontinental ballistic missiles) are deployed in the East Asian–Pacific region. The United States is concerned with increasing Sino–Soviet contacts and a possible improvement in Sino–Soviet relations, but there is considerable divergence of opinion in

the United States regarding this prospect. The United States would certainly regard with apprehension a real improvement in Sino–Soviet relations; but there seems little likelihood of this.

The United States is understandably concerned about the growing ability of the Soviet Union to project its power into the Pacific and the Indian oceans.

The Soviet Union maintains about two-fifths of her ICBM force and ballistic-missile-firing submarines, one-third of her SS-20 missile forces, one-quarter of her fighter aircraft and more than one-third of her strategic bombers and general purpose naval forces in her eastern territories.⁴

The Soviet Pacific Fleet is the largest of the Soviet Union's four fleets, and it can challenge American sea power in the Western Pacific and perhaps beyond. Soviet access to and development of the naval and air facilities at Cam Ranh Bay and Danang in Vietnam, where the United States built major bases during the Vietnam War, have increased American concern for the security of vital sea-lanes and the air and naval bases at Clark Field and Subic Bay in the Philippines. The bases in Vietnam give the Soviet Union greater capabilities for operations in Southeast Asia and in the Pacific and Indian oceans.

THE SECURITY OF CHINA

Since the early 1970's, the United States has developed a fundamentally new relationship with the People's Republic of China. The basic principles of the new relationship were laid down in the Shanghai Communiqué, signed at the conclusion of United States President Richard Nixon's visit to China in February, 1972. These principles have been frequently reaffirmed since 1972, most significantly in the Joint Communiqué on the Establishment of Diplomatic Relations, signed on December 15, 1978, and in the United States–China Joint Communiqué of August 17, 1982.⁵

Progress in this relationship is impressive, but there have been many ups and downs. Nearly seven years elapsed between President Nixon's 1972 visit and the establishment of diplomatic relations between the two countries. Top political leaders from both countries have exchanged visits. Thousands of Chinese have come to the United States for study and research, and thousands of Americans have gone to China, mostly as tourists, businessmen and scholars. But in spite of the diplomatic progress and the extensive contacts in political, economic and cultural fields, the Sino–American relationship is likely to continue to be fragile and limited. Apparently neither country desires close relations.

The security dimensions of the relationship are generally avoided in joint communiqués and other official documents, but they are nevertheless always present in the minds of most American policymakers and are by no means ignored by Chinese leaders. In recent years, the United States has frequently expressed a willingness to assist China in its military "modernization" program, but on a highly limited and selective basis.⁶ The United States is obviously unwilling to make a major contribu-

⁴Polomka, op. cit., p. 4.

⁵The texts of the Shanghai Communiqué and the Joint Communiqué of December 15, 1978, can be found in Richard H. Solomon, ed., *The China Factor: Sino–American Relations and the Global Scene* (Englewood Cliffs, N.J.: Prentice-Hall, 1981), appendixes 1 and 2, pp. 296–301. For the Joint Communiqué of August 17, 1982, see "U.S.–China Joint Communiqué," United States Department of State, Bureau of Public Affairs, *Current Policy*, no. 413, p. 2.

⁶During visits to China, several high-ranking United States officials—for example, Secretary of Defense Harold Brown in January, 1980, Secretary of State Alexander Haig in June, 1981, and Secretary of Defense Caspar Weinberger in September, 1983—expressed such willingness.

tion to China's defense needs, and China has shown little interest in discussing United States offers of limited military assistance.

Taiwan has remained the most conspicuous barrier to satisfactory Sino-American relations. An ingenious formula was devised and incorporated in the Shanghai Communiqué, whereby each "side" expressed its differing views on this issue, which was not allowed to hinder the Sino-American "opening." But in the communiqué the Chinese reaffirmed that "the Taiwan question is the crucial question obstructing the normalization of relations between China and the United States." The United States did not challenge the Chinese position that "there is but one China and that Taiwan is a part of China." The United States also reaffirmed "its interest in a peaceful settlement of the Taiwan question by the Chinese themselves," and it proclaimed "the ultimate objective of the withdrawal of all United States forces and military installations from Taiwan." But it did not accede to Chinese demands for the immediate rupture of Taiwanese-American diplomatic relations and the withdrawal of all United States forces from Taiwan. These steps were taken seven years later, following the establishment of diplomatic relations with the People's Republic of China on January 1, 1979, but China's leaders are still not satisfied with the United States position on Taiwan.

The Chinese were particularly offended by the Taiwan Relations Act, enacted only a few weeks after the establishment of Sino-American diplomatic relations. The act declared that it was the policy of the United States

to preserve and promote extensive, close, and friendly commercial, cultural, and other relations between the people of the United States and the people on Taiwan, as well as the people on the China mainland and all other peoples of the Western Pacific area.

The act also stated that it was the policy of the United States

to provide Taiwan with arms of a defensive character [and]

⁷The text of the Taiwan Relations Act is given in Solomon, *op. cit.*, pp. 304–314.

⁸A senior Chinese scholar has recently asserted that "all frictions and crises in Sino-American relations stem from this act." Jia-lin Zhang, "Assessing United States-China Relations," *Current History*, vol. 84, no. 503 (September, 1985), p. 245. The accuracy of this assertion is questionable—in fact, the same article mentioned a number of other "frictions and crises"—but it reflects the strong Chinese attitude toward this unilateral legislation.

⁹For example, in January, 1985, in a general review of Chinese foreign policy, Chinese Foreign Minister Wu Xueqian singled out United States arms sales to Taiwan and the "discriminatory" policy on technology transfer as major "problems" in Sino-American relations. See "Peking Calls for Easing of High-Tech Curbs," *The New York Times*, December 9, 1985.

¹⁰Larry A. Niksch, "Defense Burden-Sharing in the Pacific: US Expectations and Japanese Responses," *Asian Affairs*, vol. 8, no. 2 (July–August, 1981); and Stanley R. Sloan, *Defense Burden-Sharing: U.S. Relations with NATO Allies and Japan*, Report no. 85-101F (Washington, D.C.: Library of Congress, Congressional Research Service, April 10, 1985).

to consider any effort to determine the future of Taiwan by other than peaceful means . . . a threat to the peace and security of the Western Pacific area and of grave concern to the United States.⁷

The Chinese continue to object to this act.⁸

The United States has hesitated to provide China with the kind and amount of technology that it desires, especially high technology. A general agreement on this issue was reached in June, 1983, but specific disagreements have continued. This issue, plus the differences over Taiwan, are frequently referred to by Chinese spokesmen as the major barriers to satisfactory Sino-American relations.⁹

UNITED STATES-JAPANESE RELATIONS

From almost every perspective, United States-Japanese relations have been the "core relationship" in East Asia and the Western Pacific. On the whole, the relationship has been close and remarkably successful; but it has always been characterized by asymmetries and misperceptions. And it is being jeopardized by economic frictions and the difficulties that the two countries are experiencing in adjusting their bilateral relations to the changes in each country's position at the regional and the international level.

The evolution of United States-Japanese relations since World War II has been a fascinating and complicated story of passage from a conqueror-conquered to a dominant-subordinate to a more equal but still inadequately balanced relationship, one that remains out of line with probable future realities. A central element of the relationship since Japan regained its independence in 1951–1952 has been the security treaty concluded immediately after the peace treaty with Japan was signed at the San Francisco peace conference of 1951 (the security treaty became effective in 1952). In spite of considerable opposition in both Japan and the United States, support for the security treaty has remained high in both countries. When the treaty was revised and renewed in 1959, however, protest in Japan was so vigorous that a scheduled visit by United States President Dwight D. Eisenhower was canceled; the security relationship nevertheless remained intact. Since President Ronald Reagan entered the White House and Yasuhiro Nakasone became Prime Minister of Japan, the United States-Japanese security relationship has become broader and more cooperative.

A main security dispute between the two allies, that of "burden sharing,"¹⁰ seems to be on the way to solution. Successive Japanese governments have resisted American pressures to increase Japanese defense capabilities and expenditures beyond the limit of one percent of the gross national product (GNP). (The limit was adopted as official policy in 1976.) What United States pressure (some of it rather insensitive and heavy-handed) has been unable to achieve, regional and international developments seem to be encouraging. Japan's Self-Defense Forces have been steadily expanded. This expansion,

plus the growing costs of defense, will make it impossible for Japan to meet the goals projected in the latest five year defense plan without breaching the barrier of one percent of GNP.

As the two largest market economies in the world, Japan and the United States are bound together by many strands of economic interdependence; their bilateral relations and their economic role in regional and international affairs profoundly influence other nations and the international economy. The United States is Japan's largest trading partner, and Japan is the United States' second largest trading partner (second only to Canada). In 1982, trade between the two powers was valued at \$68.7 billion, more than the total United States trade with Britain, West Germany, France and Italy combined.

United States-Japanese economic relations are marked by extensive cooperation and extensive rivalry, by close working relationships on regional and international levels and by many disputes. This is particularly the case in the field of trade.¹¹ Japan accounts for about one-third of the total United States trade deficit, which, in 1985, approached \$150 billion and is projected to increase further. In the United States there is a strong feeling that American industries are victims both of minimal United States government protection and support and of the Japanese subsidization of exports and unfair trade practices and closed markets in Japan. The Japanese are alarmed by American criticism of their trade practices and by the prospects of United States protectionist legislation. They argue that the United States, especially the American Congress, is trying to penalize them for economic problems that actually have other causes.

Economic differences are the most serious barriers to satisfactory United States-Japanese relations, and they are becoming more rather than less serious. They have an adverse effect on the entire relationship, for they spill over into the political and security fields.

The security and economic aspects of the United States-Japanese relationship have received the greatest public attention. But political problems may be of even greater importance. Political relations between the United States and Japan have passed through several phases, usually marked by a high degree of asymmetry. The two countries are now entering a new era in political relations that is more balanced and that has important multilateral dimensions. Japan is seeking a new regional and international role, in keeping with its growing national strength and confidence and its expanding international influence.

¹¹Hideo Sato, "Japanese-American Economic Relations in Crisis," *Current History*, vol. 84, no. 506 (December, 1985).

¹²Chae-Jin Lee and Hideo Sato, *U.S. Policy Toward Japan and Korea: A Changing Influence Relationship* (New York: Praeger, 1982), chapters 2 and 3.

¹³*Ibid.*, p. 125.

¹⁴*Ibid.*, p. 157; and Steven B. Butler, "A Footnote to History: Kim Dae-jung Arrives Home" (Report to the director of the Institute of Current World Affairs, Hanover, N.H., March 10, 1985).

THE SECURITY OF SOUTH KOREA

The United States has had extensive and asymmetrical relations with South Korea since World War II. Since the Korean War, the United States has maintained a substantial military presence in South Korea, and it is formally committed to the defense of that country. Shortly after the armistice in 1953, it concluded a mutual security treaty with South Korea, effective in 1954, and it has provided considerable economic and military assistance.

The last half of the 1970's was a particularly difficult period in Korean-American relations, mainly because of the "Koreagate" scandals and because of President Jimmy Carter's policies of troop withdrawal from South Korea and the elevation of the human rights issue to a central position in his overall foreign policy.¹² The troop withdrawal policy, which President Carter was forced to suspend and which President Reagan promptly reversed was perhaps the most important of the "numerous unhappy experiences with the United States", that "undermined Seoul's sense that the alliance system was based on mutual trust and reduced Washington's ability to influence South Korea's domestic and foreign policies."¹³ United States criticism of the Park Chung Hee and Chun Doo Kwan regimes' treatment of Kim Dae Jung, South Korea's best-known political dissident, became another source of contention in United States-South Korean relations.¹⁴

Economic relations between the United States and Korea are important. The United States and Japan are South Korea's two largest trading partners. South Korea is the seventh largest trading partner of the United States (and the second largest United States trading partner in Asia). Korea, like Japan, is heavily dependent on access to the United States market, and it shares Japan's alarm at movement in the United States toward protectionism and other restrictive trade practices. The United States has had a trade deficit with Korea for some years (far less, of course, than its deficit with Japan). It has protested Korea's alleged unfair trade practices, limitations on market access, and government subsidies of exports just as it has protested about the Japanese. It has charged Korea with questionable practices like the counterfeiting and bootlegging of United States products. Under United States pressure, South Korea has agreed to impose "voluntary restraints" on key exports to the United States, especially textiles, automobiles, color television sets and nonrubber footwear; but, as in the case of Japan,

(Continued on page 179)

Norman D. Palmer, a contributing editor of *Current History*, has written extensively on Asian affairs and is a frequent visitor to Asia. He is currently working on two books relating to security in the Western Pacific (one in collaboration with a Korean scholar). His latest book is *The United States and India: The Dimensions of Influence* (New York: Praeger, 1984).

The labor governments in Australia and New Zealand share similar political and economic policies and, to a certain extent, they share foreign policy goals. In both countries, "the basic motto, short of sacrificing social assistance, has been growth through more efficiency at all levels."

Australia and New Zealand in the 1980's

BY HENRY S. ALBINSKI

Professor of Political Science, Pennsylvania State University

IT is convenient to undertake a common assessment of current trends in Australia and New Zealand. Australia and New Zealand share a cultural, legal and linguistic inheritance. Their social temper has been reformist and their politics nonideological. People move easily between the two countries. The armed forces of the two nations have fought together in the same conflicts, and defense ties remain intimate. Australia is New Zealand's largest trading partner, and New Zealand is Australia's third largest. Through a Closer Economic Relations (CER) arrangement, they are heading toward a virtually unrestricted and more efficiently ordered bilateral market.

The current political situation also reflects striking similarities. Although it is usually the party out of power, labor governs on both sides of the Tasman Sea and in four of the six Australian states, including the two largest. Both labor parties are led by moderate and popular Prime Ministers and the same applies to the premiers of the labor-governed states in Australia. Bob Hawke carried the Australian Labor party (ALP) to office in March, 1983, and in December, 1984, he was returned with a slightly reduced majority. Led by David Lange, the New Zealand Labour party (NZLP) government has ruled since July, 1984.

The two nations and their labor governments have dealt with similar national issues. But differences in their responses underline their separate identities. With a population of 15.6 million, Australia is five times as populated as New Zealand. It is also territorially far larger, has a much larger and more broadly based economy, has acquired a more ethnically diverse and cosmopolitan population, and for reasons of history and position has developed a keener and more complex sense of its geostrategic setting.

Through necessity and choice, the two labor governments have addressed difficult questions relating to the appropriate treatment of their populations, especially indigenous people and Asian migrants to Australia.

New Zealand appears superficially to have the easier course. Its Maori population, representing about one-tenth of the population, has historically been far better regarded, treated and integrated than have Australia's

aborigines. A sophisticated people, the Maori have attained impressive positions in New Zealand society and have generally coexisted easily with the white (Pakeha) group. But a number of Maori spokesmen point to disproportionately high Maori unemployment, alcoholism and petty crime; the lack of proper access to power; victimization through alleged cultural trivialization and loss of identity; and the failure of white society to live up to promises of Maori land rights ever since the 1840 Maori-European settlement was enshrined in the Treaty of Waitangi. Accustomed to assumptions of racial harmony, most New Zealanders have been startled by Maori militancy, including its demands for affirmative action, the return of purportedly dispossessed lands, and cultural restoration and political self-development. At current rates of increase, the Maori may constitute one-third of New Zealand's population by the twenty-first century. Thus the numbers factor itself impinges on the calculus of policy.

The Lange government's response has been to allow for more cultural pluralism. Its efforts at conciliation have included the appointment of a governor general of Maori ancestry and support for legislation that would reopen the old land grievances. The National party opposition, while sympathetic to many Maori grievances, believes that it is unfeasible to reopen land questions and that such attempts would only stiffen racial antagonism among Europeans. Sooner or later, New Zealand's perception of stable racial coexistence may change.

Since there are fewer than 200,000 full- and half-blooded Australian aborigines, the general population will not be overwhelmed. While aborigines have historically been treated either patronizingly or with contempt, both Labor and Liberal-National party (L-NP) governments have for some years followed a policy of allocating exceptional resources for aboriginal uplifting, to allow the aborigines to foster their own identity while gaining access to full membership in society. Australians are aware of aboriginal deprivation; thus they have a sharpened sense of national conscience; they are uneasy about adverse international opinion; and they are wealthy enough to assist a small minority.

The progressively minded Hawke government has

nevertheless encountered resistance in improving policies already in place. Public opinion no longer favors any significant further concessions. This has been made clear in diverse ways. There has been opposition to handing over the famous Ayers Rock to traditional aboriginal residents of the area; there has also been opposition to uniform aboriginal land rights legislation. In the Northern Territory, the national government enjoys clear authority and has been able to transfer lands to aborigines. In conjunction with the states, it wants to work out parallel legislation nationwide. But there has been exceptionally tough resistance where aborigines happen to be most numerous, especially in the ALP-governed state of Western Australia and in the non-labor state of Queensland. Resistance there flows from traditional perceptions of aboriginal affairs, state jealousies, and the perceived impact on natural resource development in abundantly endowed states that have until recently been economically underprivileged.

The resource industry itself has joined the controversy, complaining that, in a period of economic sluggishness, Australia's resource opportunities are already being squandered in the Northern Territory: there are delays in reaching agreements with aborigines holding veto power over mining on their lands, and if protective legislation were extended to Western Australia and to Queensland, the problem would be heightened. Despite its constitutional power, the Hawke government has vacillated, fearful of political repercussions. Hawke's political problem has been compounded in other ways. Labor's more impatient party wing publicly clamors for action and denounces evasion and pusillanimity. With its ear to the electoral ground, the opposition advocates a dilution of the existing Northern Territory land legislation. The Northern Territory government's conservative attitude toward aboriginal policy and land issues is one of the obstacles the Territory faces in persuading Canberra to consider it for statehood.

New Zealand has recently encountered difficulties related to the influx of mostly unskilled Pacific islanders. But New Zealand has registered a far smaller entry of non-Europeans (or indeed of any persons outside the British Isles) than Australia. Asian migration to Australia has been especially conspicuous from the start of the 1970's. Australia's transition to a color-blind migration policy has fused with what is the world's most generous per capita Indochinese refugee policy. By 1983-1984, 40 percent of all migrants to Australia were Asian. There has been heated debate over the desirability of allowing such a heavy flow to continue.

Despite a history of racial exclusionism, contemporary Australians are less overtly racist than they are worried about the socioeconomic effects of large-scale Asian migration. White, non-Anglo-Saxon, "ethnic," under-skilled Australians express more fear and animosity toward Indochinese refugees than do Australians with established cultural traditions. Immigration has yet to

become an open and divisive electoral issue, especially since neither side of the party wants to be identified as regressive and racist or to fuel the opprobrium of third world nations. The Hawke government has, however, adjusted immigration practices, encouraging more entrants from Britain and uniting family members rather than accepting new refugees from Indochina. The Hawke government's great reluctance to accept some 10,000 Irian Jayan refugees temporarily encamped across the border in Papua New Guinea has been conditioned in part by socioeconomic and political misgivings.

Social ethos, strong union movements, conspicuous government involvement (rather than individualism and entrepreneurialism on the American model) and small populations characterize both Australia and New Zealand. At one time both nations were pioneers in various forms of social reform, and wage and salary differentials were relatively narrow.

But income gaps have risen, especially in Australia, where poverty is believed to affect nearly one-fifth of the population. Once preeminent on indices of national wealth, both countries have fallen markedly—New Zealand to about twentieth place. In both countries, early school leavers encounter great difficulty in finding and keeping jobs because of generally high unemployment (over 8 percent in Australia; officially over 5 percent but very likely higher in New Zealand), high prescribed wage rates, and the demands of advanced economies for skilled rather than labor-intensive work. Youth alienation has increased.

The proportion of the work force in manufacturing and low-skill occupations has been falling, and there is industrial unrest in both countries. The more affluent and educated sectors of the population have responded in their own ways. New Zealand continues to lose many of its most venturesome and trained people to Australia, which is regarded as a more open society.

For example, although it is concerned with a wide array of public issues, Australia's emerging neoconservative movement is challenging the social and economic validity of traditional assumptions and measures. It denounces complacency and the residues of the "She'll be Right" syndrome, infirmities that are seen as suppressing initiative, growth, and improved conditions for most of the community.

The two labor governments continue their party and national traditions of stringing social safety nets at reasonably high levels and assuming that the state should take an interested and active role in society. Australians and New Zealanders pay no fees for higher education. With the ALP's inauguration of Medicare, based on a one percent surcharge on most incomes, both countries maintain broad coverage and enjoy centrally funded medical schemes. Youth training programs have been upgraded in both countries and nagging unemployment has dictated heavy dole payments.

But neither government has made a quantum leap

forward in minimum wage coverage. Hence while Australian minimum wage expenditures have risen in real terms over what they were under Malcolm Fraser's Liberal-National party government, they may be fractionally lower than they were in 1975, when an earlier Labor government lost office. The Hawke government proposes a controversial, employer-supported levy to insure superannuation coverage for all wage and salary earners, but does so as a tradeoff, in partial exchange for self-imposed trade union restraint in calculating future wage-rise claims. While the Hawke government has been attempting to rationalize social benefits, the Lange government has undertaken a major overhaul of a system that after half a century has been characterized as inefficient, duplicative, in some respects unnecessary and in other respects unfair, and massively expensive—as much a cocoon as a safety net. Despite outcries, the New Zealand government's target to date has been the eligibility and coverage of the inherited, universal, means-test-free superannuation program.

In the logic and the policies of both labor governments, the limitation or reworking of social programs has been tied to other economic features and the need for more sensible management. The overall performance of the two governments has been widely acclaimed by outside observers. Australian Treasurer Paul Keating won *Euro-money's* 1984 award as finance minister of the year. His New Zealand counterpart, Finance Minister Roger Douglas, won the distinction in 1985.

With considerable economic influence over their respective Prime Ministers, Keating and Douglas are in their own parties' terms moderate and pragmatic men. Of the two Prime Ministers, Hawke entered office with superior economic understanding and the advantage of experience as an advocate for and ultimately president of the Australian Council of Trade Unions (ACTU).

Yet it is the New Zealanders who have carried the heavier economic burden, taking office to oversee a small, vulnerable national economy that was oversheltered, overregulated, and living far beyond its means. New Zealand was sustaining enormous domestic deficits and overseas debts, with nearly one dollar in ten of its gross national product (GNP) being siphoned off for debt service. Over the preceding decade its growth fell to the bottom of the list among OECD (Organization for Economic Cooperation and Development) nations. In New Zealand and in Australia, the basic motto, short of sacrificing social assistance, has been growth through more efficiency at all levels.

Wage restraint has been sought by both governments largely as a way to improve employment, raise productivity, lower employer costs, inhibit inflation and render their economies more competitive and ultimately more susceptible to rationalization. The leadership of both governing parties has in part converted necessity into virtue by stressing "consensus" among various constituencies as a way to set wage and other priorities, through

convening economic "summits" and undertaking understandings or "accords" with powerful trade union movements that maintain close links with the two labor parties. Wage restraint has been cajoled or extracted, with promised quid pro quos. While fragile and full of exceptions, the wage restraint program has held up in both countries.

Concurrent with fairly stable wage movements, there has been a steady decline in industrial stoppages in Australia. In part to mollify union disgruntlement over wage restraints, the NZLP has lifted the Muldoon government's ban on compulsory unionism. But it has also moved to make standing wage-fixing machinery more flexible, with greater emphasis on the capacity of individual enterprises to earn and to pay wages. In Australia, the Arbitration and Conciliation Commission, today largely confirming the terms of the wage accord, has been accused by some critics of rubber-stamping government policy, and the opposition has urged more room for decentralized bargaining within the industrial system.

The Hawke government is not unmindful that public opinion is hostile toward what it regards as abuses of union power in the area of industrial action and otherwise. The conservative Queensland state government under Johannes ("Joh") Bjelke-Petersen has led the denunciation and has tried to immobilize allegedly irresponsible unions, especially in the public sector. It has made it harder for the federal government to balance close working relations with unions with the appeasement of suspicious public sentiment. It has further stimulated the federal government to praise the constructiveness of the ACTU's young and pragmatic leadership, and to decry and threaten with deregistration a "rogue" union like the Builders' Laborers Federation.

TAX REFORM

Tax reform has also been important to New Zealand's and Australia's labor governments. The rationales have been similar: greater equity, removal of disincentives for earners, and the closing of various tax avoidance and special privilege provisions. In 1985, the Hawke government assembled a tax summit. But the search for consensus proved elusive, even though the shift toward more indirect taxation had been sold to a historically unconvinced trade union movement. Keating's subsequent tax reform package was only partial, resulting in a gradual lowering of the highest income tax rates for individuals, loophole closing, and a start on longer-term plans for indirect taxation.

The NZLP did not emulate Australian efforts to reach tax change consensus through labor/business/government summitry. It moved decisively, setting in motion steps that in 1986 will insert a goods and services tax akin to a European-style value-added tax (VAT). A nonstandard wholesale sales tax will be eliminated. So will about 20 percent of the individual income tax burden, in part through lowering the highest applicable rates. There were promised tradeoffs for the labor unions. But labor

nonetheless forecast unfairness in what it felt to be regressive legislation, while business found the prospects of increased corporate rates unpalatable.

For the most part, economic ministers Keating and Douglas and their governments have behaved as cautious monetarists. The Hawke government's economic "trilogy" has been: no increases in tax revenues except in proportion to increases in gross domestic product (GDP); reductions in budget deficits; and reductions in expenditure over the life of the Parliament that nominally expires at the end of 1987.

The New Zealand government has not issued an equivalent declaration, but its goals have been similar. Real growth, business confidence and labor union satisfaction seem to depend on budgetary restraints. Yet the fall of each country's currency—in Australia by flotation and in New Zealand by devaluation—has added to external pressures. This and abnormally steep interest rates have depressed some industries, caused personal hardship for many consumers, and squeezed the efficient yet struggling rural sectors in both Australia and New Zealand.

Both governments have generally followed tight monetary policies. Compared with 1983–1984, Douglas's 1985 budget projected a reduction by two-thirds in the deficit as a proportion of GDP. Keating's 1985 budget, again despite serious countervailing pressures, cut the growth rate of government spending to one-fifth of the previous year's, and reduced by one-half the size of the domestic deficit in relation to output.

Economic strategies in Wellington and Canberra are and will continue to be at risk. Overseas variables will continue to exert heavy influence on the two economies. The two labor governments have decided that to improve their respective economies in efficiency, productivity and international competitiveness, stale practices must be eliminated. The New Zealanders have taken cues from the ALP government, which was in office earlier, but have made some changes. Because of more critical New Zealand economic conditions and a somewhat weaker correlation of interest groups, the New Zealanders have been prepared to be more sweeping and in some respects more ruthless.

Traditionally high tariffs in both countries propped up inefficient and redundant employment and artificially raised prices. Today, both governments have moved against protection. But the cut from the New Zealand government's razor may be deeper. The Lange government is phasing out export subsidies and, like its Australian counterpart, has moved toward deregulating the banking industry. Both governments are well disposed toward foreign investment and have taken practical steps to encourage such investment. In New Zealand particularly, the insulated rural sector, historically accustomed to subsidies, tax writeoffs and cheap loans, is on notice.

Australian Labor government measures have in large part undercut opposition party positions on freeing the

market. The L-NP has called for privatization, but it has failed to make a forceful case for particular targets and has not caught public attention. The Lange government's reforms do not include privatization, but state trading enterprises are to be more severely disciplined. In mid-1985, New Zealand party leader Bob Jones declared that his party, which was founded in 1983, was going into "recess." In 1984, it had polled 12 percent of the vote, standing in large measure on a platform of strict and efficient economic management that would serve the entrepreneurial spirit. Jones said that the Labour party was doing a good job economically, and he did not wish his party to drain support from Labour.

In the longer term, both Australia and New Zealand have for some time been advised to rationalize their economies, in large part to meet international competition and to optimize the overseas earnings on which they substantially depend. In the past 20 years, Australia has undergone a major trading shift; agricultural products have been displaced by resources as the principal commercial earner. Resources are the area in which Australia enjoys its most obvious international advantage; therefore, despite a few stringencies imposed by Labor, support for resource development has generally extended across party lines. Resources are relatively elastic, however, and suffer during periods of international recession. The Hawke government has dabbled in technology-intensive product incentives, but the economy continues to require more readjustment, perhaps to suit middle-level technologies and special products of proved Australian design and craftsmanship marketable in Asia and beyond.

Like Australia, New Zealand is searching for both market and product diversification. Primary products continue to dominate exports, but more attention is being directed toward domestic processing of such products and the tailoring of various products for individual overseas markets. Rationalization schemes within the small New Zealand economy are likely to be hampered by the inheritance of so-called "Think Big" megaprojects launched under Muldoon in areas like aluminum smelting, steel, natural gas to petroleum conversion, and major oil-refining capabilities. They were planned to spur growth and greater national self-sufficiency, and to conserve scarce foreign exchange. Almost without exception, they are now burdens, neither necessary in the national interest nor cost effective. Yet by prior arrangements they encumber the New Zealand government more than the companies involved in the schemes. The steel project has been put up for sale at a discounted price.

POLITICS

Australia and New Zealand prove the general rule that electorates are influenced by economic conditions and by perceptions of responsible economic management. Australia's economic indices have improved under Labor, but key economic indicators in New Zealand

under the NZLP have not. Both governments have projected an image of determination, and the Hawke government has won respect for its ability to deal with the frequently cantankerous trade union movement. Moreover, both governments have been pursuing economic policies that cannot reasonably be tarred as leftist. The activism associated with the Lange government in particular has featured the hallmarks of liberal/conservative party orientation. This has complicated life for opposition parties, whose fortunes turn on the possibility of economic tailspins, rather than on the appeal of their own ideas. Their problem is exacerbated by problems within their own ranks over economic alternatives and by personality and leadership difficulties.

In 1985, the Australian Liberals replaced the relatively "weak" ("wet") Andrew Peacock with the relatively "unyielding" ("dry") John Howard, but subsequent polls have not given them much cause for optimism. The New Zealand National party is currently in disarray. Muldoon was ousted from the party leadership a few months after losing the 1984 election. Muldoon is critical of Jim McLay, the new leader, upstages him in Parliament, and is far more popular among National voters. The government's free market/reformist policies have robbed the National party of most of its political ammunition. And National's internecine battles have deflated the chance that it will overtake the government in popularity polls. The next election need not be held until mid-1987.

Yet the two governing labor parties are themselves not immune from bruising and politically embarrassing displays of internal discord. The federal ALP has by now undergone a virtual institutionalization of factionalism—left, center-left, and (with Hawke and Keating included) a more amorphous center-right. Party conferences set binding policy, and their normal, slightly left-of-center majority is precariously narrow on some key issues. The Labor caucus itself is often impatient.

The NZLP's own conference can recommend rather than dictate, but an authoritative party council and the parliamentary caucus especially must be stroked by the leadership, not intimidated. Like Hawke, Lange is personally popular. But his caucus is uneasy about the government's rapid, free market thrust.

FOREIGN AND DEFENSE POLICY

Here foreign and defense policy enters the equation. Lange's popularity has in part been earned by his foreign policy assets. These assets, including his steadfast position on barring nuclear-powered and nuclear-armed vessels from New Zealand, are a price he pays to offset criticisms of the Douglas-Lange economic policy.

Australia's interests and reach have traditionally led it to foster a particularly active role in Southeast Asia. In 1984, the ALP government undertook good offices diplomacy to advance a settlement that would end Vietnam's occupation of Kampuchea. The initiative was placed in abeyance, partially because the ASEAN (Association of

Southeast Asian Nations) community, whose goodwill Australia assiduously seeks, was at the time skeptical about Vietnam's willingness to deal constructively. Despite its ongoing misgivings about Indonesia's behavior, the Hawke government also found that Jakarta's absorption of East Timor was irreversible and that persistently voiced displeasure would only erode Australia's important relationship with Indonesia. Because it has pulled back or eased its position on both these issues, and especially East Timor, the government has run afoul of critical, left-wing ALP opinion.

New Zealand's stake in Southeast Asia is more limited, but the Lange government has elected to maintain the New Zealand infantry battalion in Singapore. Together with a larger Australian contribution, including fighter aircraft at a Malaysian base, New Zealand continues to participate in an integrated air defense system for Malaysia and Singapore and continues to conduct military exercises with them. The Australian and New Zealand military presence in this sector of Southeast Asia is welcomed by the United States, whose entrée there is limited.

The Pacific island community has received close attention from both New Zealand and Australia. Proximity, a historically favorable reception, the need for economic and defense aid from what by regional standards are affluent nations, and the absence of great power status that could otherwise intimidate the community have given New Zealand and Australia a special position. The two labor governments have maintained informal roles as the principal Western spokesmen and, at times, as interlocutors between the island countries and the United States. With the United States, they are apprehensive about any degradation of the regional strategic denial doctrine that has animated the thinking of the ANZUS (Australia, New Zealand and United States treaty alliance) members for many years.

New Zealand and Australia have tried to discourage neighboring countries from accepting residential Soviet diplomatic and consular representation or Soviet economic blandishments. But they were set back when, in 1985, the Soviet Union negotiated a rental agreement with Kiribati to fish for tuna within Kiribati's exclusive economic zone. The two labor governments have been urging the United States to acknowledge an island country's exclusive-zone claim over migratory species like tuna. They believe that Washington's position damages the United States reputation and Western interests in the region generally, with the Kiribati case as an early and unfortunate consequence.

The Hawke and Lange governments have also chastised the United States for not being more openly critical of French nuclear testing in Polynesia. Again, they are trying to calm resentment among nuclear-sensitive countries and, indirectly, to dampen undercurrents of political radicalism in an otherwise traditionally moderate community. In 1985, the South Pacific Forum, composed of

regional countries including Australia and New Zealand, agreed to an Australian proposal for a South Pacific nuclear-free zone (NFZ). Under its terms, signatories promise not to manufacture, store or test nuclear weapons, or to dispose of nuclear waste in their environment. The NFZ initiative has helped to mollify regional anti-nuclear sentiment. In the interest of demonstrating its regional good faith, the United States among other nuclear powers is being asked to adhere to the NFZ protocols.

As adopted, the Australian NFZ concept stipulates that signatory states are free to receive visits from foreign vessels of all types, including nuclear-powered and nuclear-armed ships. Australia continues to receive port calls from American vessels without regard to their means of propulsion or their armament. From an American standpoint, Australia's position is a tangible and symbolic security asset. But even before the regional NFZ proposal was adopted, the New Zealand Labour government declared itself opposed to any visits from nuclear-powered or nuclear-armed ships.

New Zealand, a small and socially sensitive nation, has argued that its isolated position and the absence of any plausible outside threat make United States nuclear protection unnecessary. While it considers itself Western and aligned, it seeks to disengage itself from all things nuclear. New Zealand adds that the loss to the United States of very occasional ship visits would in any event have no effect on larger American strategic capabilities. It welcomes United States ships as long as it can ascertain that they have no nuclear features.

The United States has vigorously dissented, asserting that an alliance partner cannot pick and choose the nature of its contributions in a strategically interdependent world. Contrary to NZLP claims, Washington maintains that in more than 30 years of fruitful partnership ANZUS has never operated on any other premise. The United States is not prepared to bend its universal rule of neither confirming nor disconfirming the type of weaponry on its vessels, since this could adversely affect operational capabilities and could provide valuable intelligence to antagonists. As to nuclear-powered vessels, some 40 percent of the United States Navy is now nuclear powered, and it is impractical to split the Navy on the basis of ship propulsion just to accommodate allied political (as opposed to technical) sensibilities.

True, New Zealand is of little direct value in United States strategic calculations. But it is a member of America's showcase alliance, and no American ally has previously challenged United States rights to dock its ships without disclosing their armament. New Zealand would thus set a precedent. Unless it is firmly resisted, its ban could therefore infect popular and official thinking in countries that are far more significant strategically, including Japan and Australia. Thus the United States first suspended various forms of military cooperation with New Zealand, and later nullified American treaty obligations to New Zealand under ANZUS.

A study in alliance management, the ANZUS crisis is also instructive for understanding New Zealand and Australian politics. It underscores the differences between New Zealand and Australia. Lange has gained personally from events surrounding the blowing up of the Greenpeace ship *Rainbow Warrior* in Auckland harbor by French agents. He has also benefited politically by standing up to the United States. New Zealand society is smaller, more sheltered, and much more self-contained than Australian society, and survey data bear out New Zealand's much weaker sense of rapport with and dependence on the United States. Muldoon called an early election in 1984 in part because a few members of his own party were defecting to the antinuclear camp, erasing his already tiny parliamentary majority. In the 1984 election, two-thirds of the New Zealand electorate supported those parties, including Labour, that in some fashion opposed any nuclear connection. Polls have shown decided support for the antinuclear-ship policy, although most New Zealanders, like the government, prefer to keep ANZUS intact. The National party opposition disagrees with the government's nuclear-ship ban policy, but it has been preoccupied by its own troubles and admits that even if it regained office a return to the status quo ante would be politically difficult. It would also require the formal rescinding of the antinuclear-ship ban policy about to be inscribed in legislation by the NZLP.

The Australian Labor government has publicly supported the United States position on the ship issue. It is prepared to preserve ANZUS as an operating bilateral, Australian-American alliance even if ANZUS remains trilateral in form. At the same time and without American objection, it has reinforced its own bilateral defense cooperation with New Zealand. Not only has ANZUS as an alliance been protected by Australia, but so have American ship visits, elaborate intelligence sharing and training exercises and, above all, globally significant communications and satellite surveillance control and transmission facilities on Australian territory jointly manned with the United States.

These defense interlocks with the United States are under severe criticism from the Australian peace movement, from antinuclear Australian Democrat and independent senators, and from a vocal section of the ALP. To help deflect such pressures and, in general, to follow its own convictions, the Labor government has assumed a high profile on disarmament issues in interna-

(Continued on page 182)

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"Marcos left quietly. The combination of widespread public anger, the opposition's determined nonviolent resistance, Marcos's continuing excesses of power, the growing strength of the Philippine left and, finally, reluctant American pressure avoided a bloody confrontation and led to the 'peaceful transition.'"

The Philippines: End of an Era

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ON February 26, 1986, twenty years of rule by President Ferdinand Marcos came to an end in the Philippines. Just three days after Defense Minister Juan Ponce Enrile and the acting chief of staff of the armed forces, Lieutenant General Fidel Ramos, rebelled and called for Marcos's resignation, Marcos and his family fled to Guam in a United States Air Force jet. The provisional government of President Corazon Aquino and Vice President Salvador Laurel was immediately recognized by the United States.

The peaceful transition of power occurred after perhaps the most fraudulent and violent presidential election in Philippine history. An official United States delegation led by Senator Richard Lugar (R., Ind.), sent by the administration of President Ronald Reagan to observe the February 7 election, returned with first-hand accounts of widespread fraud and voter intimidation by the forces of President Marcos. "The government has come upon a strategy of trying to shape the results," Lugar said, referring to the disappearance of voter lists and other irregularities in the metropolitan Manila area, which was a stronghold of presidential challenger Corazon Aquino, widow of slain opposition leader Senator Benigno Aquino Jr. Lugar's misgivings were confirmed when 30 computer technicians working at the government's Commission on Election (COMELEC) left their jobs, alleging that the election tabulation was being manipulated in favor of Marcos. An embarrassed Marcos called them "political saboteurs" and ordered a stop to the COMELEC count, saying that the country's Parliament (the Batasang Pambansa, or Batasan) would conduct the final canvassing of the votes and officially declare a winner. Marcos's party, the Kilusang Bagong Lipunan (KBL, or New Society Movement), held a two-thirds majority in the Batasan.

As expected, the Batasan proclaimed Marcos the winner over Aquino with 54 percent of the 20 million votes cast. However, the tabulation of the National Movement for Free Elections (NAMFREL), a citizen watchdog

group of nearly half a million volunteers that had monitored the elections, showed Aquino leading by practically the same margin that Marcos held in the Batasan count. Aquino, her supporters and opposition members of Parliament promptly repudiated the Batasan verdict and announced plans for a massive nonviolent civil disobedience campaign, including the nonpayment of taxes, a boycott of regime-supported business establishments, strikes and protest activities. In an unusually strong statement, the Conference of Bishops of the Roman Catholic Church condemned the "evil regime" of Marcos and charged him with a "criminal use of power to thwart the sovereign will of the people" in the February 7 election. The bishops further deplored the "unparalleled fraudulence" of the election and Marcos's forcible and illegitimate seizure of power. "The Pope has expressed his solidarity with us," said one of the prelates. "He has told us, 'I am with you.'"¹

The initial reaction of the Reagan administration to the Philippine elections caused much uproar, both in the United States and in the Philippines. Even before meeting with the Lugar delegation, President Reagan told a press conference that the election demonstrated the presence of a "viable two-party system" in Philippine politics. He also suggested that there could have been fraud "on both sides." The Philippine opposition was incensed at President Reagan and issued a sharp rebuke of his ill-advised and ill-informed statements.

ELECTION FRAUD

Faced with mounting criticism of his continuing implicit support of Marcos, President Reagan later admitted that the election had been marred by widespread fraud and violence largely perpetrated by the ruling party, "so extreme that [its] credibility has been called into question both within the Philippines and the United States."² He dispatched a special envoy, Philip Habib, to Manila to work out a compromise between the Marcos and Aquino political forces, if that were possible. However, Aquino had already indicated that she would "refuse a compromise that leaves Ferdinand Marcos in office as president."³ On February 15, she led almost a million Filipinos in a protest demonstration in Manila calling for

¹"Church Urges Marcos 'Ouster'; Assembly Declares Him Winner," *Honolulu Advertiser*, February 15, 1986.

²"Aquino Gives Habib A Warning," *Honolulu Star-Bulletin and Advertiser*, February 16, 1986.

³*Ibid.*

Marcos's ouster. In turn, Marcos warned his opponents that "we have the strength to meet force with force. . . . If you insist on sowing violence, then violence it is."⁴ He placed his military on full alert and the presidential palace under heavy guard (17 tanks and 16,000 troops).

In the event, Marcos left quietly. The combination of widespread public anger, the opposition's determined nonviolent resistance, Marcos's continuing excesses of power, the growing strength of the Philippine left and, finally, reluctant American pressure avoided a bloody confrontation and led to the "peaceful transition."

The election was the final test of Marcos's political and physical survival. Seriously ailing with a debilitating disease called *lupus erythematosus*, the 68-year-old Marcos campaigned mostly through the media and visited only 9 of the 73 provinces. Meanwhile, Aquino crisscrossed the country. Marcos was determined to win the election at all costs because there was too much at stake for him, for his family and for his cronies.

The presence of United States and several other observer teams and more than a thousand foreign journalists did not deter cheating, bribery, vote-buying, ballot-box stuffing, registration of "flying or ghost voters" and other electoral anomalies. Almost 200 people were killed in the election-related violence, including prominent supporters of Aquino like former Antique Governor Evelio Javier. In addition to the use of force, the regime resorted to noncoercive measures: increasing the salaries and benefits of the military, public school teachers and government employees; undertaking "pork barrel" projects for local communities; doling out money to *barangay* (village) councils and local governments; and multiplying the number of electoral precincts.

The Central Bank reported that some \$720 million had been poured into its coffers; probably some of the money Marcos and his associates had salted away in foreign banks was plowed back into the country to bankroll the Marcos campaign. The amount available to the government was estimated at between \$265 million and \$531 million.⁵ There was no doubt that Marcos had a formidable war chest for the election, in contrast to his opponent, who hoped to raise \$37 million. Aquino was also denied access to the media and other resources controlled by the government.

Typical of the flavor of Philippine politics, much of the campaign involved personal tirades. Marcos criticized Aquino's political inexperience, which she deftly turned around: "I have no experience in lying, cheating, stealing, or assassinating my political opponents."⁶ She character-

ized Marcos as an ailing and aging dictator whose time was past. Marcos also ridiculed his opponent's gender. "Regarding my opponent, it seems that I feel embarrassed. . . . It is odd if it is a woman challenging you. It's better if it's a man. If it's a woman, it might lead to something bad."⁷ He ended his sexist remarks by admonishing women to "confine their preachings to the bedroom." Aquino retorted by accusing Marcos of "bankrupting the economy, abusing human rights, turning the Parliament into a rubber stamp, prostituting the military, and undermining the judiciary."

For her part, Aquino emerged as a credible leader. Not associated with the predatory nature of the old politics, she personifies simplicity, decency, honesty and dignity. To most Filipinos, she has become not only a symbol in the shadow of her husband's martyrdom, but a person in her own right, learning and articulating sensible ideas about complex domestic and international issues. Everywhere she went, she was greeted by hundreds of thousands of supporters.

In contrast, a rather feeble Marcos spoke to smaller, subdued crowds that were often organized by his campaign machine. He was always on the defensive, because of challenges to his war medals, his "hidden wealth," his failing health, and other issues exposed by the American media and the Philippine opposition press. In response, Marcos attacked his opponent's "Communist ties," even charging that her husband Benigno had been one of the founders of the Communist party of the Philippines (CPP). Throughout his campaign, Marcos had labeled his opposition, which included the Catholic clergy, "Communist." He also tried to exploit the superstitious beliefs of rural Filipinos by claiming that he had a "special angel" who warned him if his life was in danger.

In the end, Marcos's awesome campaign apparatus, his enormous campaign funds, his use of coercion, terrorism, persuasion and other tactics, and the disfranchisement of opposition voters availed him little. He maximized his lead in provinces he controlled, like the Ilocos and Cagayan, and held down his opposition's margin in its strongholds like central Luzon, metropolitan Manila, southern Tagalog and Bicol. He disfranchised a large segment of the metropolitan Manila electorate, which had been expected to vote for Aquino by a large majority. NAMFREL uncovered the fraud that accounted for the largest single irregularity in the election, i.e., the sharply differing rates of voter turnout in Marcos and Aquino strongholds. For instance, Abra province is located between the Ilocos provinces, which were a Marcos bailiwick; Abra had a 96 percent turnout, just as it had in the 1984 parliamentary election. In contrast, Quezon City in metropolitan Manila, which had a turnout of 87 percent in the 1984 election, had a turnout of only 72 percent in the February election, a decline of 100,000 votes.

Jose Concepcion, NAMFREL president, explained the scheme used to lower voter turnout. Neighborhood letter carriers and water-meter readers, "watching street by

⁴Vicente Tañedo, "FM Threatens to Call in Armed Forces," *The Times-Journal* (Manila), February 6, 1986.

⁵Paul Quinn-Judge, "Philippine Vote: Guns, Money," *Christian Science Monitor*, December 30, 1985.

⁶"The Maharlika Papers," *Newsweek*, February 3, 1986, p. 26.

⁷"Marcos: 'Embarrassed' To Run Against Woman," *Honolulu Star-Bulletin and Advertiser*, December 12, 1985.

street on their regular rounds, carefully noted which householders removed pro-government campaign-stickers that had been affixed, as if casually, to doors and windows before the election."⁸ Voters thus identified as likely to be opposed to Marcos were systematically culled from the registration rolls before the election. This explains why many voters could not find their names in the precincts in which they had registered.

The loss from registration irregularities, according to Concepcion, amounted to one in ten voters. This would have been the margin of victory for Aquino, who lost by some 1.6 million votes in the government count. Disfranchisement and other fraudulent or terroristic measures employed by the Marcos machine could well have cost Aquino close to 5 million votes. Clearly, Marcos cheated on a massive scale.

THE POLITICAL OPPOSITION

The groups represented by or supporting the Aquino ticket came for the most part from the so-called legal opposition, which divided into two distinct camps following the 1983 Aquino assassination: i.e., the traditional and the new legal opposition. The former rallied around Unido (United Democratic Opposition), formed from splinters of the old Liberal and Nacionalista parties, which had chosen to participate in the 1984 parliamentary election. The latter emerged from various "cause-oriented" groups that tended to be populist in nature.*

The new opposition had chosen to boycott the 1984 election on the ground that, as long as Marcos was in power, every election would be a sham. They also mobilized people for frequent demonstrations and long march-

es (*lakbayans*) in and around the metropolitan Manila area and the neighboring provinces. These efforts were collectively called the "Parliament of the Streets." The Pilipino Democratic party (PDP) and Lakas ng Bayan, or Laban (People's Power) left it to their respective constituencies to decide whether to boycott or participate in the 1984 election.

To try to consolidate the various antiregime forces, the Bagong Alyansang Makabayan (New Nationalist Alliance or Bayan) was established in May, 1985. It is committed to militant but nonviolent political struggle. Bayan's immediate objectives have been to seek an end to the Marcos regime and to eliminate foreign intervention. Its broader goal is to establish popular democracy. Its founders profess that they support democracy, nationalism and the welfare of all the people, while preserving ethnic, religious, cultural and ideological diversity.⁹

While it has shown its capacity to mobilize, Bayan is not immune to the dissension that usually plagues large organizations. The moderate member organizations in the alliance feel that Bayan's leadership is dominated by the left. Members of the left, on the other hand, argue that their sizable numbers justify their demands for stronger representation in the organization. Some of the groups, like Bandila (Bayang Nagkakaisa sa Diwa at Layunin, or People United in Thought and Purpose), led by Butz Aquino, brother of the slain senator, have withdrawn from Bayan but have left open the possibility of future collaboration on certain issues. The leadership of Bayan was divided on the issue of participation in the February election, but the membership opted to boycott it, saying it would be rigged in favor of Marcos.

One of the most dramatic developments in Philippine society over the last decade has been the emergence of the left as a major political force. This development is also one of the most misunderstood, if not misrepresented, particularly by Western sources, which invariably emphasize the "Communist" nature of the insurgency. The movement reportedly counts between 12,000 and 15,000 armed regulars operating in 59 of the country's 73 provinces.¹⁰ It is important to remember, however, that the opposition from the left includes far more than Communist cadres, although the Philippine Communist party is the largest leftist group. The leftist opposition wants to eliminate United States military bases and abrogate all "unequal treaties" with the United States; it opposes the massive and unregulated flow of foreign investments and the heavy reliance on foreign loans; and it advocates structural economic reforms, especially with regard to ownership and control of the means of production. It believes that these ends can be attained only through the mobilization of the masses and it asserts that armed struggle is a legitimate mode of political behavior.¹¹ Francisco Nemenzo stresses the polycentric character of the Philippine left, which includes three ideological streams: Marxist, Christian and Islamic.

To forge a broader coalition of the forces on the left and

*They read like alphabet-soup politics: JAJA (Justice for Aquino, Justice for All), ATOM (August Twenty-One Movement), CORD (Coalition for the Restoration of Democracy), KOMPIL (Congress of Filipino Citizens), KAAKBAY (Movement for Philippine Sovereignty and Democracy), MABINI (Movement of Attorneys for Brotherhood, Integrity, Nationalism, Inc.), GABRIELA (General Assembly Binding Women for Reforms, Equality, Leadership and Action), WOMB (Women for Ouster of Marcos and Boycott).

⁸Francis X. Clines, "Ingenious Philippine Fraud Charged," *Honolulu Star-Bulletin*, February 17, 1986.

⁹*Banong Alyansang Makabayan General Program of Action* (Quezon City, Philippines, n.p., May 5, 1985), p. 3.

¹⁰Estimates of NPA strength vary according to the source. The Philippine government has used figures ranging from 9,000 to 12,000. United States figures range from 15,000 to 16,500. The CPP claims the NPA has a membership of 30,000 and the NPA says it has 20,000 members. The United States says the NPA is growing at the rate of 20 percent a year and maintains a presence in 8,000 of the Philippines' 40,000 villages. The Philippine government says the NPA is in only 5 percent of the nation's villages. For a recent extensive analysis of the growth of the insurgency, see Guy Sacerdoti and Philip Bowring, "Marx, Mao and Marcos," *Far Eastern Economic Review*, November 21, 1985, pp. 52-62.

¹¹This characterization is based on Francisco Nemenzo, "The Left and the Traditional Opposition," in R. J. May and Francisco Nemenzo, eds., *The Philippines After Marcos* (New York: St. Martin's Press, 1985), p. 53.

other opponents of the Marcos regime, the National Democratic Front (NDF) was established in 1973 with the Philippine Communist party–New People's Army (NPA), Christians for National Liberation, and Kaba-taang Makabayan (Nationalist Youth) as leading members. The NDF is committed to a revolutionary struggle for "national democracy." The Association of Revolutionary Workers, the Organization of Nationalist Peasants, the Moro Revolutionary Organization, the Association of Nationalist Teachers, the Organization of Nationalist Women and smaller groups have since joined. The NDF's 12-point program calls for a self-reliant economy, national industrialization, genuine land reform, respect for Filipino self-determination, national sovereignty and "true democracy."¹²

The other significant underground resistance movement in the Philippines is the Moro National Liberation Front (MNLF) and its military arm—the Bangsa Moro Army (BMA). The MNLF operates in the Mindanao and Sulu islands and its primary goal is Muslim autonomy and recognition of the sovereignty of the Bangsa Moro people. The MNLF tied down and inflicted heavy losses on the Philippine military in Mindanao in the early and mid-1970's. The leadership, however, has been plagued by factionalism in recent years, and its original leader, Nur Misuari, has been directing operations from the Middle East for his rebel forces in Mindanao. Meanwhile, another Muslim faction that is "reformist" in ideology has set up the Bangsa Moro Liberation Organization (BMLO). No formal organizational links exist between the MNLF and the CPP, but there is apparently some political and military cooperation between the MNLF and the NPA in Mindanao; they have also taken joint diplomatic initiatives outside the Philippines.

Any successor to the Marcos regime will have to deal with the impressive growth of the Philippine left. Centralized strategy and decentralized operations appear to have successfully expanded the movement. The left is stronger, particularly in areas like Mindanao and northeastern Luzon, where government authority is weak or abusive, and in places like Negros Occidental, where the vital sugar industry has collapsed and poverty and severe economic inequality are driving people to more radical options.

THE ECONOMY

The political crisis brought about by Benigno

¹²See *Program of the National Democratic Front of the Philippines* (Manila: NDF Secretariat, January 1, 1985).

¹³See Anthony Spaeth, "Marcos Has Little To Show for 20-Year Reign," *The Asian Wall Street Journal*, September 3, 1985.

¹⁴See for example the three-part series by Pete Carey, Katherine Ellison and Lewis M. Simons, "How Filipinos Hide Fortunes Overseas," *The Mercury News* (San Jose, Calif.), June 23–25, 1985; and William Bastone and Joe Conason, "Marcos Takes Manhattan—How the Philippines' First Family and Their Friends Are Buying Up New York," *Village Voice* (New York), October 15, 1985, p. 17.

Aquino's murder triggered an economic depression. The average annual growth rate between 1970 and 1980 was 5.9 percent, which was higher than the 5.1 percent of the previous decade. In 1981, the economy grew by 3.9 percent, followed by 3 percent in 1982 and just 1 percent in 1983. By 1984, the economy was in crisis, registering a negative 4.6 percent growth rate (other sources put the figure at a negative 5.5 percent). The economy continued to decline in 1985 with a negative 4 percent rate, and a negative 1 percent growth rate is predicted for 1986.

This period of negative growth has reduced the economy to pre-1980 levels. Under normal circumstances, it would not return to 1980 levels until 1990. But export earnings have also been declining, falling by 15 percent in 1985. The budget deficit is expected to grow from 6.6 billion pesos to 16 billion pesos, nearly 2.5 percent of the gross national product (GNP). The inflation rate is still 20 percent, and the country's foreign debt is a staggering \$26 billion.

The deteriorating quality of life and the decline in income of the ordinary Filipino reflect these dismal figures. The Philippines is generally known as "the basket case of Asia," with persistently high levels of poverty, unemployment, malnutrition, disease and government corruption and mismanagement. Some 60 percent of the work force is either unemployed or underemployed, and many of the industries established 20 years ago have collapsed.

Marcos and his technocrats blamed international economic changes for the country's economic debacle, but the real reasons are government misspending and inefficiency, extravagance, corruption, ill-advised priorities and the creation of monopolies in major industries controlled by Marcos's close associates. In a system that was popularized as "crony capitalism," friends and relatives of the First Family enjoyed tremendous privileges, like huge government loans to run businesses that eventually failed and had to be rescued by the government. Monopolies set up by Marcos cronies Roberto Benedicto and Eduardo Cojuangco controlled the sugar and coconut industries, which, economists say, have "bilked coconut farmers and sugar workers of billions of dollars."¹³ The crony capitalists' corporate records have been exempt from public audit and scrutiny. Both Benedicto and Cojuangco are reported to have stashed away millions of dollars in investments outside the Philippines.

Several well-documented exposés on the salting away of huge sums of money overseas by Marcos and his cronies have appeared in the American press.¹⁴ The press reports identified Marcos, his wife Imelda and several of their cronies as owners of multimillion dollar properties

(Continued on page 184)

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South Korea's economic successes have not been matched by political pluralism. "The political system still has no viable political parties. . . . [The ruling party] has not replaced the military or the intelligence structure as a core element of stable politics. . . . In the 1980's, there is a formidable opposition that could probably win a free election. But the political sociology of South Korea. . . will probably prevent such an event."

South Korea: Trouble Ahead?

BY BRUCE CUMINGS

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SOUTH Korean politics continues to be shaped by events that happened seven years ago; little can be understood in 1986 without a consideration of the crisis that brought the current regime to power. In the spring of 1979, with economic problems mounting and with no relaxation of the regime's political restrictions, a political crisis destroyed the regime of Park Chung Hee. The crisis began with political power deployed around opposition leader Kim Dae Jung, who drew support from textile workers, small businesses and firms with national rather than international interests, students and intellectuals, and from his native southwestern region, which had been rebellious and which had been left out of much of the growth of the previous 15 years. (Park was from the southeast, and he had poured investments into that region.)

In August, 1979, Kim's opposition party joined with striking textile workers; a woman died in a police melee; and shortly thereafter there were major urban insurrections in Pusan and Masan. Unlike previous demonstrations, these included workers and common people; the demonstrations fed on the grievances of unemployed or underemployed urban workers.

In the aftermath of these events, leaders quarreled about the dissent. Their disagreements culminated in Park's assassination in late October at the hands of Kim Jae Gyu, the director of the KCIA (the Korean Central Intelligence Agency). The regime subsequently collapsed and thereby demonstrated how much the politics of the Republic of Korea (ROK) still depends on a single leader.

During the first months of 1980, Korean citizens participated widely and effectively in meetings around the country to discuss a new constitution, political parties and election rules, and what sort of democratic system ought to replace the Park system. At the same time Chun Doo Hwan, a young officer, seized effective power within

the military in a coup in which several high officers were killed. Chun had been a protégé of Park's; he commanded Korean troops in the Vietnam War and was head of the powerful Army Security Command at the time of Park's assassination.

In April, 1980, amid widespread student unrest and the takeover of a town by miners, Chun declared himself head of the KCIA. At that, students and common people poured into the streets. In mid-May, hundreds of thousands of protesters filled Seoul in the largest demonstrations since 1960. Martial law was declared, which in turn touched off a province-wide rebellion in the southwest, centered in the provincial capital of Kwangju. Rebels held the city and some surrounding towns for a week.

Chun and his allies put down the rebellion with great brutality. Official figures say 300 civilians died and documents introduced in the National Assembly in 1985 suggested a figure of more than 2,300. Chun then became President of South Korea and established a Fifth Republic. Some 15,000 protesters were arrested and placed in "reeducation" camps, and about 800 politicians from the Park era were forbidden to take part in politics. Chun and his allies trumped up sedition charges against Kim Dae Jung, saying he was responsible for Kwangju. Most observers think that only United States intervention saved Kim from execution.

Although five years have passed, President Chun remains tainted by his role in the bloodletting in Kwangju. That incident is the Achilles heel of legitimacy in the Fifth Republic.

The Chun government has not suffered a repetition of serious disorder, and until last year politics followed the typical Park period pattern of stability interrupted by minor demonstrations and strikes. In the early 1980's, a new political elite emerged, along with new political parties; regime publicists spilled oceans of ink proclaiming a "new era," and Chun pledged to become the first Korean President to transfer power peacefully (in 1988). He also abolished some of the more absurd manifestations of authoritarianism, like the nightly curfew that had been in effect since 1945 and the Japanese-style uniforms that all schoolboys had to wear. But the political system has really remained Park's *Yushin* system under new guise.*

*Editor's note: In November, 1972, a national referendum approved the *Yushin* (Revitalizing Reform) constitution; the constitution, ended direct presidential elections, gave Park greatly expanded power and allowed him to establish an electoral college that subsequently elected him President in December, 1972.

In October, 1983, a bomb blast in Rangoon, Burma, decimated Chun's Cabinet and very nearly killed Chun. A Burmese court determined that North Korean terrorists were responsible, and Burma broke diplomatic relations with Pyongyang. The blast also killed a number of pro-Western, moderate officials who had been urging Chun to loosen political restraints.

The North Koreans presumably acted on the assumption that killing Chun would have an effect similar to the Park assassination of 1979, that is, the removal of the maximum leader would cause deep disorder in the political system. Unfortunately, they were probably right, and this underlines the continuing fragility of South Korea's government.

In early 1984, the regime loosened controls on student demonstrations, vowing to let college campuses handle dissent. The result was a period of extensive student organization and student demonstrations over responsibility for the Kwangju violence and the undemocratic character of the regime; Korea's economic dependence on the United States and Japan was also challenged. In October, 1984, the regime reverted to its previous policies, sending 6,000 troops onto the campus of Seoul National, the leading university, to quell dissent and arrest demonstration leaders. This radicalized students even further. Independent labor unions, forcibly suppressed after the Kwangju crisis, began to grow.

In this milieu of deepening student unrest, Kim Dae Jung, who had been in exile in the United States, decided to return to Seoul in February, 1985. A number of Americans accompanied Kim on his return, including Pat Derian, President Jimmy Carter's human rights officer, and former Ambassador to El Salvador Robert White; I was also a member of the delegation.

When we reached Seoul's Kimp'o airport, our attempt to disembark from the plane with Kim led to a nasty incident in which plainclothes thugs roughed up several members of the delegation, attracting worldwide attention to Kim's return in the process. As our delegation left the airport, the streets were lined with tens of thousands of Kim's supporters, who braved thousands of riot police and a multitude of agents snapping pictures.

Four days after Kim's arrival, his New Korea Democratic party (NKDP) won the four largest cities and nearly 30 percent of the nationwide vote in National Assembly elections. The ruling Democratic Justice party won 35 percent, even though it had almost complete control of the media and the campaign process and the lion's share of political funding. Skewed election rules also assured ruling party dominance of the Assembly and control of coercive forces (police, intelligence agents), who had put many of the opposition leaders under house arrest for the last days of the campaign. Citizens supporting the opposition, many of them ordinary blue-collar workers, demonstrated a high level of political awareness.

Suddenly the administration of President Ronald Reagan in general and Elliott Abrams in particular (the

President's under secretary for human rights) began singing the praises of Korean democracy and claiming success for their "quiet diplomacy." Kim Dae Jung looked like a formidable figure; quickly forgotten was the Reagan administration's studied, persistent attempt to encourage Kim to stay in the United States, lest his return be "destabilizing." The invitation tendered to President Chun Doo Hwan to visit the White House in April, issued about a week before the election (and designed specifically to bolster his chances), proved embarrassing. Korean democracy had come roaring back to life in spite of the American coddling of Chun.

CHUN'S CONTINUING ILLEGITIMACY

A close reading of Abrams's 1984 human rights report points to the real problem in South Korea: the continuing illegitimacy of the Chun regime. The visual evidence is obvious in Seoul; few cities in the world have such a palpable display of coercive force in the form of police, soldiers and militia; there is a sea of plainclothesmen, and there are virtual bivouacs of riot police. Chun has little domestic support, so in April, 1985, President Reagan once again invited him to the White House (an invitation to Chun had been President Reagan's first foreign policy act in 1981), to bolster Chun from abroad—although the 1985 visit was purposely low key. Because the February election made Chun look like a lame duck, the invitation barely made the national news.

Chun is in trouble. In April, the NKDP persuaded 20 of 35 legislators in the four-year-old Democratic Korea party to defect, causing the collapse of this ostensible bastion of the new order and swelling the National Assembly totals of the NKDP to 102, against 148 for Chun's Democratic Justice party. In the fall of 1985, Chun launched a harsh crackdown against dissent, jailing hundreds of protesting students and laborers, confiscating hundreds of allegedly subversive books and tightening censorship of the press. In addition, for the first time in several years, torture was used against dissidents, causing an unusual rebuke from the American State Department. In the 1980's, there is a formidable opposition that could probably win a free election. But the political sociology of South Korea in the past decade will probably prevent such an event.

In the 1960's, Park Chung Hee was able to hold reasonably free and direct presidential elections because the ruling party was adept at mobilizing votes in the countryside. Village elders would group peasants together, give them bonus cash, and tell them how to vote. The urban areas tended to support the opposition. By 1971, however, when Kim Dae Jung received 46 percent of the national vote in spite of regime manipulation, such elections seemed threatening. There has not been a free election since.

Whereas almost 70 percent of the population was rural in the 1960's, today the figure is almost the reverse. And since the ruling party and the regime have less opportuni-

ty to mobilize voting in the cities, there can be no voting or direct free presidential elections.

The strong opposition forces led by Kim Dae Jung and Kim Young Sam have been seeking a constitutional revision that would allow for a direct vote in the next presidential election. On January 16, 1986, Chun ruled out such a constitutional revision. The vote will now come through an electoral college heavily biased toward the ruling party. Frequent student demonstrations are often violent; more and more incidents involve firebombings, and there have been several suicides. Many observers note a growing radicalization and anti-Americanism among the students; arguments against dependence on the United States and Japan bring together the leftists and the nationalists of the right.

But with the economy doing reasonably well and Chun's strong support from Washington, it seems unlikely that a major crisis will develop in 1986. The years of trial for South Korea will be 1987 and 1988, as Chun decides whether to honor his pledge to hold elections for a successor and step down, and as the Olympic Games in 1988 bring the glare of worldwide publicity to Seoul.

There are some constants in South Korean politics. First, the military remains the most powerful single group, followed by the intelligence bureaucracies. Second, the military is itself divided by age and regional grouping. Groups cohere around particular officer classes; the second and the eighth in the Park period, and the 1955 and 1961 military academy classes in the Chun period. Groups also divide regionally, and in both the Park and the Chun periods the southeastern Kyongsang provinces have been vastly overrepresented both in the leadership and in state and corporate investments. (This was an important reason for the southwestern rebellion in 1980.) Third, there is a profound hostility between military officers who are not members of the gentry and students, intellectuals and much of the opposition party, who tend to be high-born and who reflect the Confucian sensibility that scholars should be moral leaders and should disdain the military arts.

The political system still has no viable political parties. Although the ruling party is always the strongest by virtue of its government support, internal structure and superior funding, it has not replaced the military or the intelligence structure as a core element of stable politics. Opposition parties continue the old pattern of patron-client ties, in which factions cluster around a single leader, although they can be potent when the leader is a strong figure like Kim Dae Jung or Kim Young Sam.

Voting is of little importance and retains the pattern that some scholars call "mobilized voting," that is, people go to the polls because they are ordered to go, or because they are paid to go, but not because they have much sense of participation. The February, 1985, election was important because it did not fit the pattern. In spite of the impediments to real electoral participation, a multitude braved the odds to cast votes for the opposition. Finally,

the system has not escaped the single-leader principle nor has it managed a successful leadership transition; thus when the maximum leader dies or is killed, floodgates open on potential chaos.

THE ECONOMIC PROGRAM

After Park's coup in 1961, the economy became central to the regime's legitimacy. The state would prime the economic pump and economic success would keep Park in power. By the mid-1960's Korea could call on a large cadre of economists and planners, many of whom had been trained in American universities; new institutions like the Economic Planning Board (EPB) emerged to guide long-term plans for economic development. Within a few years, exporting became a national pastime and a patriotic activity, with Park blessing every new threshold of achievement.

South Korea's comparative advantage was its relatively educated and diligent workers and their comparatively low pay. American and Japanese firms were encouraged to relocate in Korea, where productivity was high and labor costs were low. Typical Korean industries were textiles and light electronics like radios and calculators. Since textiles and light electronics were industries in decline in both Japan and the United States, South Korea was able to establish these industries and maintain their competitiveness in world markets. The gains for foreign firms were often remarkable. One Korean economist estimated that assembly work in the Masan "Free Export Zone" was two and a half times as productive as American labor in the same industry, at one-tenth the cost, yielding a 25-fold cost savings.

The export-led program took off in the mid-1960's during the second five year plan. According to some estimates, in the next decade South Korea had the most productive economy in the world, with an average annual industrial production growth rate of 25 percent. Its incremental capital-output ratio was 2.2, the lowest in the world. Its per capita gross national product (GNP) increased from \$225 to \$800 by 1978, and the GNP itself went from \$6 billion to \$25 billion in the 1965-1978 period. Exports were the engine of this growth, increasing by a full 45 percent per year on average in the early and mid-1970's.

This remarkable success is generally thought to be attributable to: 1) South Korea's heavy investment in human capital, yielding a highly educated stratum of specialists and high rates of literacy and skills in the population as a whole; 2) long-range planning and administrative guidance by skilled technocrats; 3) a relatively high domestic savings rate; 4) an "abundant and unorganized" working class, in economist Paul Kuznets's words; 5) a world economy open to light-industrial exports in the decade after 1965, combined with American and Japanese help in getting the economy moving.

The existence of large pools of foreign capital was also essential, giving the Korean state a mediating and au-

thoritative role in directing capital investment to competitive firms willing to export. This credit-provisioning function is a key element of the Korean model of development; it allows the state to select and foster firms that have comparative advantages in world markets.

As the economy has grown, so has concentration in industry. There are huge firms (the Hyundai Group, the Daewoo Group, the Lucky Group), many of which are among the few hundred largest firms in the world. They are so concentrated that they resemble the *zaibatsu* of prewar Japan, and like the *zaibatsu* they tend to be held and controlled by the founding families. A Harvard University study found that about two-thirds of the big firms are still headed by the original founder or his offspring. The state, however, remains the maker and the breaker of these conglomerates; they cannot afford to antagonize the President.

As the system developed, Park and his more nationalistic allies tried to make the economy more independent by deepening its industrial base. The third five year plan (1971–1976), in particular, was written by economic nationalists and spawned enormous capital investments in heavy industries like autos, steel, shipbuilding, petrochemicals and nuclear-power generation. Korea installed the world's most productive integrated steel mill in Pohang (with the aid of Japanese technology and capital), and quickly began to make inroads in world steel markets. Today South Korea and Brazil are the world's most efficient steel producers. And in February, 1986, the first Korean automobile, the Hyundai Excel, appeared in the American market. As part of this new program, the Park government invested in major infrastructure improvements: four-lane highways, city subways, seaports and airports, and communications systems that have transformed the face of South Korea.

THE DARKER SIDE

The darker side of this success is that independent labor unions still have no legitimacy; the rural sector has not progressed rapidly and remains dependent on American grain; large export firms have devastated smaller firms producing for the national market; and the economy is structurally dependent on foreign capital and on technologies and foreign markets often still controlled by foreign multinational corporations. South Korea's total outstanding foreign debt at the end of 1985 was about \$50 billion, the fourth largest foreign debt in the world; much of it is very recent (the debt has more than doubled since 1980). The United States and Japan mitigate the problems of debt and dependence, but they place limits on Korean development.

The interconnection between economic growth and political stability was demonstrated in the 1979–1980 crisis. In 1978, the Korean threat to advanced countries led Japanese newspapers to speak warily of “the Korean challenge”; United States officials worried that “another Japan” might rise in Korea. But the export-led program

ran aground; political instability and a six percent decline in GNP in 1980 followed. Exports were expected to grow by 16 to 20 percent during 1979–1982; instead, they were stagnant or grew at 2 to 3 percent through the end of 1982.

The reasons for this crisis lay deep in the structure of South Korea's economy. Exports met ever higher protectionist barriers around the world. Technology transfers did not occur as expected, leaving Korea with diminishing labor-cost advantages. Rapidly rising oil prices devastated an economy that had no oil of its own. The small domestic market could not make up for declining foreign markets; thus auto and steel factories ran at 20 or 30 percent of capacity. Rising exports were needed to pay back foreign loans, and when exports fell, the loans grew precipitously. Finally, the rapid growth was not evenly distributed, causing grievances at home, particularly when expectations for ever greater growth were dashed in 1980.

A profound shaking-out process in 1979–1982 scared foreign investors and raised questions about the whole export-led program. But thereafter South Korea got back on track. The growth rate in 1983 was about nine percent, one of the highest in the world; it was seven percent in 1984 and about four percent in 1985. Technology flows have improved; South Korea now manufactures VCR's (videocassette recorders) and small computers for the American market; Daewoo's “Leading Edge” personal computer became a favorite at the low end of IBM-like personal computers in 1985. Korea is also one of the few nations able to produce the sophisticated 256K RAM (random access memory) chip. Unlike many Latin American nations, it has not yet had serious problems in servicing its foreign debt.

The economic revival in the United States and the decline in oil prices have also been important to South Korea's recent economic successes. Among South Korea's real economic coups is its growing indirect trade with the People's Republic of China, which probably reached \$1 billion in 1985, most of it funneled through Hong Kong. The executives of several Korean companies have visited China, and Gold Star is said to have a subsidiary in Shanghai. A breakthrough in the huge American steel market occurred in late 1985, when the United States Steel Corporation and Pohang Iron and Steel arranged a joint venture to make the Koreans the primary supplier of hot-rolled steel for a United States Steel plant in California. By 1989, import levels will reach one million tons a year.

If the Excel does as well in the United States as it has in Canada, and there is every reason to think it will, then the Koreans will have an important niche at the low-price end of the American automobile market, which will tend to hurt the Japanese more than the American auto producers.

Many problems remain. Early in 1985, the Kukje Corporation, one of the largest conglomerates, collapsed; this was the worst bankruptcy in South Korean history.

Exports were sluggish throughout 1985, barely reaching the aggregate level of 1984; yet exports have to grow each year if the nation is to service its debt efficiently. Overseas construction orders, which had been so important in recycling petrodollars, dropped from a high of 13,681 in 1981 to less than 6,000 in 1984. Shipbuilding has also been devastated, with orders reduced by 40 percent and more.

Perhaps the greatest challenge to South Korea, however, is the relatively greater success of Taiwan, its main competitor in the world economy. Taiwan's exports have tended to rise faster than Korea's in recent years and, more important, Taiwan has run fat trade surpluses while South Korea has serious deficits. Finally, Taiwan's external debt is minuscule compared with Korea's. In the competition for upward mobility in the world economy, Taiwan seems to be winning.

It was interesting to observe the reaction of the Americans who accompanied Kim Dae Jung to Seoul (most had never been there before). At first they were amazed by the incredible commercial bustle of this rapidly developing country, with new skyscrapers going up overnight, a mass of shiny new cars jamming the streets, middle-income condominiums stretching for miles along the banks of the Han River. But within a day or so, their eyes had also fallen on the mass of the population of Seoul, which has witnessed little change in the past 15 years. Seoul is a city of substandard housing, traffic gridlocks and thick air pollution.

An understanding of South Korea must take into account development and underdevelopment, vast new wealth and massive poverty, a newfound assertive independence and continuing dependence on the United States, rapid growth in GNP and a mushrooming foreign debt. What do the American acolytes of the "Miracle on the Han" see in Seoul? Are they one-eyed cyclops, Picasso-like figures who see only one side of the story of Korean development? Why do they tend to remain silent about Washington's growing conviction that the Koreans are doing too well, even from a capitalist standpoint? State Department officials speak off the record about the American desire "not to have another Japan there"; presumably, one Japan is enough.

FOREIGN POLICY

The crisis of 1979–1980 called a halt to the diplomatic initiatives of the 1970's, including President Jimmy Carter's plan to withdraw American troops from Korea. In the aftermath of the Carter failure, the United States emphasized stable backing for the Chun regime. The Reagan administration invited Chun Doo Hwan to visit Washington as its first foreign policy act to bolster South Korean stability, and the United States committed itself to a modest but significant buildup of force and equipment levels. Some 1,600 soldiers were added to the 40,000 Americans already there; advanced F-16 fighters were sold to Seoul; and huge military exercises involving up-

ward of 200,000 American and Korean troops were held early each year. The Reagan administration also developed a five year defense guidance plan. What it called "horizontal escalation" might mean that, if the Soviet Union were to attack in the Persian Gulf, the United States might respond by attacking at a point of its own choosing. North Korea was such a point, the plan said. This scenario truly horrified the North Koreans and many South Koreans as well.

China apparently sought to defuse this volatile situation in 1983, trying to reduce tensions. There were several reasons for China's action. When United States President Richard Nixon and his secretary of state, Henry Kissinger, went to China in 1971, both North and South Korea watched as their respective great power allies resumed friendly relations. Ever since, both Koreas have struggled to benefit from Sino-American détente. At first, North Korea seemed to have the upper hand; indeed, South Korean intelligence officials must have been horrified to discover that North Korean leader Kim Il Sung was in Beijing during Kissinger's famed "secret visit" in July, 1971 (a fact Kissinger later revealed in his memoirs).

Worries that Sino-American amity might leave both Koreas out in the cold undoubtedly lay behind the unprecedented talks held between KCIA Director Lee Hwak and Kim Il Sung's younger brother in early 1972. The dialogue led to the North-South communiqué of July 4, 1972 (a date that seemed to suggest a joint Korean declaration of independence from the United States), which pledged both Koreas to a "great national unity" and peaceful unification without the interference of "outside forces." Although this effort failed, it was a symbol of the continuing importance of the unification issue in both Koreas. It also indicated that Sino-American détente might break the logjam in Korea.

When the Carter administration came to power, the North Koreans tried to cultivate liberals and pro-China groups in the United States, and stated repeatedly (to Americans including this writer) that they favored Sino-American détente. Unquestionably they wanted to isolate South Korea. But they also apparently hoped to follow China's path and gain access to advanced technologies.

However, South Korea made the more dramatic breakthrough. By 1980, a significant indirect trade between China and South Korea had developed; there were reports of direct shipments across the Yellow Sea to Korean ports. Although the Chinese ended this trade in mid-1982 under pressure from North Korea, it grew rapidly again in 1984 and 1985. In 1983 and 1984, the

(Continued on page 181)

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"A dramatic change is taking place in . . . North Korea. Since 1984, [North Korea] has begun slowly to open its doors to the world. Resuming the long-suspended sessions of inter-Korean dialogue and negotiation, and adopting several progressive measures like joint venture laws, North Korea is sending a signal to the world that it is interested in turning outward."

North Korea's New Pragmatism

BY YOUNG WHAN KIHl

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NORTH Korea is often regarded by outsiders as Marxism's first "hereditary dynasty," because President Kim Il Sung—founder of the Communist state and General Secretary of the Korean Workers' party (KWP)—has anointed his eldest son to succeed him.* North Korea is also known as a socialist "Hermit Kingdom."¹ Throughout most of its more than 40-year history, North Korea—the Democratic People's Republic of Korea (DPRK)—has remained in seclusion from the outside world; Kim Il Sung has followed policies of self-imposed isolation and has tightly controlled the population. Thus North Korea has become "the Land of Kim Il Sung," one of the least-known and most impenetrable lands on earth.²

But a dramatic change is taking place in Kim's North Korea. Since 1984, the DPRK has begun slowly to open its doors to the world. Resuming the long-suspended sessions of inter-Korean dialogue and negotiation and

*The author wishes to acknowledge an Iowa State University Faculty Improvement Leave grant that allowed him to complete this and related projects. This article was written while the author was a visiting scholar and research associate at the Institute of East Asian Studies at the University of California, Berkeley.

¹See the series of articles by John Burns in *The New York Times*, June 13, 22, and July 9–11, 1985.

²See C. I. Eugene Kim and B. C. Koh, eds., *Journey to North Korea: Personal Perceptions* (Berkeley: University of California, Institute of East Asian Studies, 1983). For the best brief introductory survey on Korea today see Bruce Cumings, *The Two Koreas* (New York: Foreign Policy Association, 1984). Also see Young Whan Kihl, *Politics and Policies in Divided Korea: Regimes in Contest* (Boulder, Colo.: Westview Press, 1984), especially pp. 65–72, 90–100.

³Young Whan Kihl, "North Korea in 1984: 'The Hermit Kingdom' Turns Outward!" *Asian Survey*, vol. 25, no. 1 (January, 1985), pp. 65–79.

⁴For recent studies on North Korea see Tai Sung An, *North Korea in Transition: From Dictatorship to Dynasty* (Westport, Conn.: Greenwood Press, 1983); Robert A. Scalapino and Jun-Yop Kim, eds., *North Korea Today: Strategic and Domestic Issues* (Berkeley: University of California, Institute of East Asian Studies, 1983); Byung Chul Koh, *The Foreign Policy Systems of North and South Korea* (Berkeley: University of California Press, 1984).

⁵For an earlier discussion of political succession see Young Whan Kihl, "North Korea: A Reevaluation," *Current History*, vol. 81, no. 474 (April, 1982), pp. 155–159, 180–182.

adopting several progressive measures like joint venture laws, North Korea is sending a signal to the world that it is interested in turning outward.³ In August, 1985, North Korea opened a twin-towered, 45-story, 1,000-room hotel in the middle of Pyongyang, the capital city. The government hopes to attract many foreign visitors in the days ahead, to share with them the proud accomplishments of what the North Koreans consider a "paradise on earth," painstakingly built under the guidance of "the great and beloved leader," Kim Il Sung.⁴

Does this mean that North Korea is ready to make basic structural reforms? Or are the ruling elites instituting only temporary measures? Answers to these questions are important because they may illuminate the nature and the direction of the post-Kim Il Sung era. The signs of change in monolithic North Korea, like the changes in China since 1978 under de facto head of state Deng Xiaoping, are manifestations of an unavoidable socioeconomic transformation.

Is North Korea's authority structure changing? North Korea is continuing its father-son succession policy, officially proclaimed in October, 1980; it is also consolidating the position of Kim Jong Il. The hereditary political succession, reminiscent of a bygone era, is unusual, especially in a socialist-bloc country. However, in light of the unfortunate developments in the Soviet Union after Stalin and in China after Chairman Mao Zedong, the North Korean ruling elite seems determined to avoid political turmoil after Kim Il Sung's demise.⁵

A NEW POWER BASE

To build Kim Jong Il's power base, North Korea inaugurated the so-called Three Revolution Teams Movement by launching a mass campaign in the 1970's to bring about what are termed ideological, technical and cultural revolutions, to be led largely by the younger generation. In 1985, North Korea put into effect a dual rule with a father-son division of labor: the senior Kim concentrates on diplomatic and unification policies while the junior Kim deals primarily with party ideologies and economic policies. The question is whether this formula will enhance or undermine political stability in North Korea; the ruling elites regard these political, economic

and diplomatic measures as rational and foolproof.⁶

Communist North Korea is going through a generational change with the emergence of Kim Jong Il. The composition of the governing elite has shifted; the old guard of Kim Il Sung's anti-Japanese guerrilla fighters has given way to a younger generation of leaders in their forties and fifties, who grew up after 1945 and who follow Kim Jong Il.⁷ The activities of these younger groups should be monitored closely.

At the beginning of 1984, Kang Song-san, an economic expert, was appointed Prime Minister, and his appointment was followed by changes in the administrative hierarchies, which were staffed largely by economic experts and experienced specialists. These technocrats may have been responsible for North Korea's recently inaugurated pragmatic diplomacy.

In North Korea, nevertheless, political power remains in the ruling Communist party, the KWP. General Secretary Kim Il Sung is assisted by the party's Politburo and the military affairs commission, the two most important political organs, whose members also include Kim Jong Il. Since Kim junior lacks prior military experience, skeptics wonder whether he will be able effectively to control the military.

Kim Jong Il, however, is actively supported by General Oh Jin-ü, who is defense minister and a close associate of Kim Il Sung's. During a ceremony held to commemorate the fortieth anniversary of Korea's liberation from Japan on August 15, 1945, Oh was made a five-star general and was promoted to the rank of vice marshal, second only to Marshal Kim Il Sung himself. During the same ceremony, North Korean Army Chief of the General Staff Oh Guk-ryol and four other officers were made four-star generals. These appointments are perhaps indirect evidence of how much Kim Il Sung and Kim Jong Il depend on the active support of the military to sustain their political power.⁸

MODIFYING ECONOMIC POLICIES

When it enacted a joint venture law on September 8,

⁶This was the author's impression from his visit to North Korea and from interviews with the Korean elites in July, 1981. See Young Whan Kihl, "The Issue of Korean Unification: North Korea's Policy and Perception," in Kim and Koh, op. cit., pp. 97-117.

⁷On this point see Dae-Soon Suh, "Kim Il Sung: His Personality and Politics," and Chong-Sik Lee, "The Evolution of the Korean Workers' Party and the Rise of Kim Jong Il," in Scalapino and Kim, op. cit., pp. 43-64 and 65-80.

⁸See Young C. Kim, "The Political Role of the Military in North Korea," in Scalapino and Kim, op. cit., pp. 133-143.

⁹The full text of the joint venture laws can be found in *Pyongyang Times*, September 15, 1984, and Foreign Broadcast Information Service, *Asia/Pacific*, September 12, 1984, pp. D1-D3.

¹⁰On North Korea's economy see Joseph S. Chung, *The North Korean Economy: Structure and Development* (Stanford: Hoover Institution Press, 1974); and Chung, "Economic Planning in North Korea," in Scalapino and Kim, op. cit., pp. 164-196.

¹¹*Vantage Point* (Seoul), vol. 8, no. 3 (March, 1985), p. 13.

1984, North Korea initiated an open-door policy. The law attempts to attract foreign investments in "many fields, including industry, construction, transportation, science and technology and tourism." In 5 chapters and 26 articles, the law stipulates that "the properties invested by foreign parties in joint ventures and income accruing from the operation of enterprises" will be protected and "all legal rights" will be guaranteed. A joint company "may export its products to foreign markets" and "may be exempted from income tax for a certain period from the start of production." The law specifically encourages "Koreans overseas, including Korean traders and manufacturers in Japan," to participate in joint ventures.⁹

The legislation is designed to attract foreign capital and new technology, which North Korea's controlled and planned economy cannot deliver. Like other socialist countries, North Korea's rigid command economy is limited in sustaining the process of continuous, dynamic economic growth.¹⁰ Given its ideology of independence, North Korea's new policy of opening its door to the outside world and relying on foreign sources of input, including inputs from capitalist countries, is a courageous, risky and unexpected move.

After completing the second seven year plan (1978-1984), North Korea used the year 1985 as a period of readjustment and preparation for the launching of the third seven year plan (1986-1992). In his 1986 New Year's message, Kim Il Sung acknowledged that North Korea's economy was experiencing some delay in meeting its targets. Nevertheless, on February 17, 1985, Pyongyang radio announced the successful completion of the seven year plan targets, claiming that the gross industrial product had registered a 2.2-fold increase during the 1978-1984 plan period, with an average annual growth rate of 12.2 percent in industrial production.

According to the broadcast, the remarkable success of the second seven year plan was registered in the construction and operation of 17,785 factories and workshops, which included many new power stations, coal-mining facilities and steel mills. The broadcast also claimed that North Korea had met the 10-million-ton goal of grain production, had doubled its power-generating capacity, and had enjoyed a 2.3-fold increase in the machinery industry, the electrification of 1,500 kilometers of railways, and the construction of two major highways (Pyongyang-Wonsan and Pyongyang-Nampo). As a result, the real income of North Korean workers rose 1.6 times and farm income rose 1.4 times.¹¹ These claims are often misleading and inflated. North Korea does not publish usable economic statistics, except in percentages and indices, making independent and outside validation of these claims impossible.

North Korea recently reformed its economic development target by modifying its heavy and armament-oriented industry to help light and service industries to enhance the standard of living. At the February, 1984, meeting of party Central Committee cadres, Kim Jong Il

emphasized the need to improve the production of synthetic textiles and facilities for food processing under the slogan, "Let's launch the light industry and service revolutions!"¹² This suggestion of economic reform is bound to soften Kim Jong Il's bellicose and hawkish image, entertained especially by North Korea watchers in South Korea. (Kim Jong Il was rumored to have been a mastermind behind the Rangoon bombing episode of October 9, 1983.) More realistically, Kim junior is perhaps caught between the hard-liners and the soft-liners on the policy of economic reform, a typical conflict within the bureaucracy.¹³

The consumer-oriented mass campaign is noteworthy because, if it is successful, the North Korean life-style will be greatly affected. But many obstacles still confront North Korea's ambitious objective. First, resources may be inefficiently allocated under North Korea's socialist economic system. North Korea's centralized, planned economy does not follow the market forces of supply and demand and follows instead the command from the top. Second, the heavily armed North Korean state may not succeed in simultaneously achieving the twin goals of military security and economic welfare. Third, the heavily indebted North Korean economy, with an estimated US\$2 billion to \$3 billion in loans, may not attract additional foreign capital and technology.

In spite of these difficulties, North Korea's attempt to open its doors and inaugurate economic reform measures must be considered noteworthy. In fact, North Korea has already begun to benefit economically from its joint venture projects with Western companies. Since March, 1985, a 46-story hotel has been under construction in Pyongyang in a joint venture with a French firm, Campenon Bernard Construction Co. If all goes well, it will be completed in less than three years. Within a year after the enactment of the joint venture law, Pyongyang concluded about 10 projects and was negotiating with foreign firms on some 30 additional projects.¹⁴ Joint projects with Japan include a chain of retail department stores in

Pyongyang and other cities and a metal plant in Nampo; a tire company will open in Hamhung as a joint venture with Hong Kong, and there are others. Joint projects under negotiation include a liquor and beverage shop with France, a furniture manufacturing plant with Sweden and a canning factory with Thailand.

THE MILITARY POSTURE

What distinguishes North Korea's diplomacy under Kim Il Sung has been Pyongyang's determination to maintain a posture of independence, self-reliance and "equidistance" between Beijing and Moscow.¹⁵ Kim has shown an extraordinary ability to avoid any confrontation and has avoided siding with either the Soviet Union or China in the Sino-Soviet rivalry. Geopolitics and history dictate that North Korea maintain good relations with the states on its borders; the survival of the regime depends on continuous economic, diplomatic and security support from the Soviet Union and China. It is no accident that since 1961 North Korea has maintained close military alliances with both the Soviet Union and China.

However, since the May, 1984, official visit of Kim Il Sung to Moscow (the first in 23 years),¹⁶ North Korea has begun to tilt toward the Soviet Union. The basic reason for Pyongyang's pro-Soviet move is its desire to acquire modern Soviet weapons, including MiG-23 fighter planes. Although China cannot deliver such advanced weapons, the Chinese leaders have made strenuous efforts to dissuade Kim from turning to Moscow, supplying Chinese F-7 fighter jets to North Korea late in 1981. China's efforts failed because of the success of Pyongyang's weapons deal with Moscow and the revitalizing of the Soviet-North Korean alliance. China may have lost more than face; it is worried that the Soviet foothold in North Korea may one day be directed against China.

The price North Korea has paid in return for some 40 to 50 MiG's delivered in 1985 is high; the Soviet Union has access to North Korean air space, enabling Soviet aircraft to cross the peninsula from east to west, and it has access to North Korean port facilities for the vessels of the Soviet Pacific Fleet. These strategic concessions facilitate the Soviet Union's links between its base in Siberia and its allies in Southeast Asia including Vietnam; they are of grave concern to the United States and South Korea, as well as to Japan and China.¹⁷

According to Japan's *Sankei Shimbun*, in October, 1985, two Soviet TU-95 Bear bombers crossing North Korea to reach the Yellow Sea were immediately encountered by Chinese F-7 fighter planes. The Chinese are sensitive to Soviet observations of Chinese fleet movements and China's naval facilities in the Yellow Sea as well as Soviet reconnaissance of industrial facilities in southern Manchuria.¹⁸ *Sankei Shimbun* also reported that the Soviet Union had provided North Korea with the latest missiles, including 30 SAM-3 surface-to-air missiles, now de-

¹²As cited in "North Korea: Spring 1985," *Hankuk Ilbo* (Seoul), June 29, 1985.

¹³On this point see Aidan Foster-Carter, "The 5th Column: Reading the Entrails of the Pyongyang Goat," *Far Eastern Economic Review*, August 23, 1985, pp. 28-30.

¹⁴*People's Daily* (Beijing), September 8, 1985.

¹⁵For a recent essay on North Korea's diplomacy see Young C. Kim, "North Korean Foreign Policy," *Problems of Communism*, January, 1985, pp. 1-17.

¹⁶I have dealt with Kim's Moscow visit in Young Whan Kihl, "Sorenno Kanhanto Seisaku" (Soviet Policy toward the Korean Peninsula), *Koria Hyoron* (Tokyo), no. 269 (September-October, 1984), pp. 4-5, and *ibid.*, no. 270 (November-December, 1984), pp. 3-15.

¹⁷See Young Whan Kihl and Lawrence Grinter, eds., *Asian-Pacific Security: Emerging Challenges and Responses* (Boulder, Colo.: Lynne Rienner Press, forthcoming 1986), especially Kihl, "The Two Koreas: Security, Diplomacy, and Peace."

¹⁸*Sankei Shimbun* (Tokyo), October 28, 1985; *The Daily Telegraph* (London), November 1, 1985.

ployed around Pyongyang, and an undetermined number of AA7 air-to-air missiles.¹⁹

North Korea is treading carefully between the paths leading to Moscow and Beijing. A tumultuous welcome was given to the Soviet delegation during the gala August 15, 1985, ceremony commemorating the fortieth anniversary of the national liberation of Korea from Japan in 1945. The Soviet delegation consisted of some 20 groups, including a party and government delegation led by Soviet Politburo member and Deputy Prime Minister Geidar Aliev, a Soviet military delegation led by Deputy Defense Minister Marshal Vasily Petrov, and (visiting the port city of Wonsan) a unit of the Soviet Pacific Fleet, consisting of three warships, the 8,200-ton antisubmarine ship *Tallin* and two escort vessels. The unit was commanded by Vice Admiral Nikolai Yasakov, first deputy commander of the Soviet Pacific Fleet.²⁰ Since North Korea had never before staged such a gigantic welcoming ceremony for a Soviet delegation, this was an unusual act of goodwill.

In contrast, North Korea did not invite China to the ceremony. Instead, in late October, a Chinese delegation led by Deputy Prime Minister Li Peng was invited to visit North Korea to attend a ceremony commemorating the thirty-fifth anniversary of the entry of the Chinese "volunteer army" into the Korean War. But unlike the August 15 ceremony honoring the Soviet delegation, neither Kim Il Sung nor Kim Jong Il was present. This diplomatic underplay may have signaled Pyongyang's displeasure over China's overall policy toward the Korean peninsula, including the evolving unofficial exchanges between China and South Korea.

A cautionary note is necessary, lest these episodes be taken as heralding a new policy shift.²¹ Such an interpretation is perhaps too simple because it overlooks underlying historical factors. North Korea cannot afford a pro-Soviet policy at the expense of its friendly ties with China.

Pyongyang's tilt toward Moscow is more likely a temporary, tactical move, because North Korea's strategic considerations may not permit a shift from its friendly posture toward China. North Korea has always insisted that Sino-Korean relations are based on an "indestructible, blood-sealed friendship." North Korea has probably gone along with the Soviet Union in order to pay the political price for the delivery of modern Soviet military hardware. North Korea may have learned a hard lesson from this episode: in diplomacy, hard bargains entail

quid pro quo solutions, and national interests, rather than ideology and self-righteousness, are ultimately what count.

THE UNITED STATES AND JAPAN

North Korea continues to regard United States troops in South Korea as an obstacle to its major goal: Korean reunification on its terms; thus it demands the withdrawal of the United States military from the south. The goal of the so-called tripartite talks proposal officially put forward by North Korea on January 10, 1984, which would involve North Korea, the United States and South Korea in a series of bilateral talks, would replace the existing armistice agreement by a peace treaty, which would force the eventual withdrawal of United States troops from South Korea.²²

The tripartite talks proposal was badly timed; it followed the Rangoon bombing of October 9, 1983, in which North Korea was implicated. (The bomb killed 17 visiting South Korean officials, including four of President Chun Doo Hwan's Cabinet members; the President narrowly escaped.) In addition, the proposal failed because of the objection of the Seoul government and because the United States insisted that inter-Korean negotiation must precede any attempt to solve political and military difficulties. Perhaps in response to the United States position, Pyongyang has taken an active part in inter-Korean dialogue since November, 1984. North Korea initiated contacts with the United States through various channels, including nongovernment contacts. As a condition for obtaining nuclear reactor technology from the Soviet Union, North Korea also signed the 1968 nuclear nonproliferation treaty, which is aimed at limiting the spread of nuclear weapons and requiring signatories to open their nuclear facilities to international inspection.

Whether United States-North Korean relations will improve remains to be seen. In late October, 1985, the United States State Department issued entry visas to three North Koreans to participate in an academic symposium in Washington, D.C. These were the first official visas offered to nonofficial North Koreans by the United States government; North Korean diplomats stationed at the United Nations are not permitted to travel outside New York City. The fact that academicians from North Korea, South Korea and the United States sat together for the first time at a conference was an optimistic sign for the prospect of reducing tension on the Korean peninsula.

(Continued on page 178)

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¹⁹*Sankei Shimbun*, November 26, 1985.

²⁰For analysis see *Far Eastern Economic Review*, August 29, 1985; *North Korea News* (Seoul), no. 284 (August 19, 1985), p. 4.

²¹On Soviet-North Korean relations see Harry Gelman and Norman D. Levin, *The Future of Soviet-North Korean Relations* (Santa Monica, Calif.: Rand Corporation, October, 1984).

²²On the tripartite talks proposal see *Pyongyang Times*, January 14, 1984; Kihl, "North Korea in 1984," pp. 66-67; *Far Eastern Economic Review*, May 31, 1984, pp. 40-41 and *ibid.*, May 24, 1985, pp. 19-20.

According to the author, "In terms of economic growth, Taiwan has come close to accomplishing in two-plus decades what West Europe and the United States accomplished in 200 years. It has also experienced rapid political development."

Taiwan: New Challenges to Development

BY JOHN F. COPPER

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TAIWAN (the Republic of China) is often cited as a model of development theory: that economic development fosters political development or that the two must occur in tandem for either to attain high levels of growth.

Over the last two decades, Taiwan's economic growth (measured in annual increases in the gross national product [GNP]) has made it one of the top three or four nations in the world. Depending on what period of time is considered, Taiwan may be the world's fastest growing economy. Moreover, it has attained this rank although it has virtually no natural resources, little arable land, three times the population density of Japan and nine times that of China. And, unlike Japan, Taiwan has sustained large military budgets during the time of its rapid growth.

Although it is less noticeable and has followed economic development chronologically, Taiwan has also experienced political development. Its government has been stable, and there has been a smooth transfer of executive power at the top twice (something that happens rarely in developing countries). Government efficiency has improved and corruption has been reduced to the level of corruption in the governments of West Europe, Japan or the United States.

Over the last 12 to 24 months, however, serious new problems have arisen. Taiwan is now experiencing obstacles both to sustaining rapid economic growth and to political modernization. Its leading economic indicators and its economic trends do not paint a rosy future. Progressive political change has been and is threatened by

¹For excellent background works on Taiwan's economic development, see Shirley W.Y. Kuo, Gustav Ranis and John C.H. Fei, *The Taiwan Success Stories: Rapid Growth and Improved Distribution in the Republic of China, 1952-1979* (Boulder, Colo.: Westview Press, 1981); Kuo et al., *Growth with Equity: The Taiwan Case* (London: Oxford University Press, 1979); Yuan-li Wu and Kung-chia Yeh, eds., *Growth, Distribution and Social Change: Essays on the Republic of China*, Occasional Papers in Contemporary Asian Studies, no. 3 (Baltimore: University of Maryland School of Law, 1978).

²*Asia 1985 Yearbook* (Hong Kong: Far Eastern Economic Review, 1984), p. 7. The estimate was 11 percent. In 1984, Japan's growth rate was 5.3 percent, South Korea's 7.5, Singapore's 8.0 and Hong Kong's 6.0 percent. Taiwan was clearly the leader.

³These statistics are cited in Carl Goldstein, "Taiwan: Trade Growth Loses Steam," *Far Eastern Economic Review*, December 5, 1985, p. 72.

serious political issues, creating what some call a "crisis of confidence" in the nation's top leadership.

Taiwan's economic growth was initially based on land reforms that increased farm production and released farm labor to man the textile factories and other light industries that were started in the 1950's. Land distribution was an important part of the land reforms. The government held sizable amounts of land it had confiscated from Japanese landowners and the Japanese colonial government after World War II, which it could sell to landless peasants. Landlords took payment for the land in industrial bonds or used the money to invest in the fledgling industrial sector, which they also managed. Finally, a strong infrastructure built by the Japanese did not suffer much damage during the war.¹

In the second phase of economic development, Taiwan's growth was led by light industry using cheap and easily trained labor. Specialization in exports, which provided the foreign exchange to modernize the economy, was also part of Taiwan's economic development plan.

The third phase involved a switch from labor-intensive industry to capital-intensive industry, large infrastructure projects and the production of higher quality and specialty market goods. In this period, Taiwan took away some of Japan's industries that had become less competitive because of high labor costs. Exports and the growth of consumerism continued to propel economic growth.

Taiwan successfully weathered the oil crisis of 1973-1974, although it suffered high inflation for approximately a year. It also sustained impressive economic growth during the global recession of the early 1980's. In 1984, the gross national product grew over ten percent—one of the highest rates of growth in the world.²

In 1985, however, economic growth slipped, and the economic indicators suggested that the rate of future growth might be far less rapid. Economic growth for 1985 was 4.9 percent. Foreign trade declined, in contrast to the usual double-digit increases; in October, trade was down 4 percent from the previous year. In August, the rate of unemployment reached 4.1 percent, the highest in years. Domestic investment fell 5.7 percent from 1984. This was the fourth successive year of stagnant or declining domestic investment—always a bellwether of future economic development.³

Two "structural" causes account for the downturn,

which seemed to be more than temporary. First, the nation's economy may have passed the period of rapid growth and, like Japan, Taiwan may have to be content with good rather than outstanding growth as it assumes the status of a "developed" country. Second, Taiwan has for some time been in transition, shifting gears to a knowledge-intensive economy. But even if the transition is successful, it will make Taiwan a developed country, where rapid growth is more difficult, long-range planning is more important and the competition is keener.

Another reason for its recent economic difficulties is Taiwan's dependence on foreign trade. Taiwan's foreign trade as a ratio of its GNP is over 100 percent (exports and imports combined). In Japan—a nation generally regarded as trade dependent—trade as a ratio of the GNP is less than 30 percent.⁴ And nearly half Taiwan's exports—over 48 percent in 1985—go to the United States.⁵ Exports have suffered recently because of a downturn in the United States economy and a consequent diminished demand in the United States for Taiwan's products.

Growing protectionist sentiment in the United States may make this situation even worse because of Taiwan's large trade surplus with the United States. Congress has frequently criticized and even singled out Taiwan for special retaliation. And it is difficult for Taipei to counter this criticism for several reasons: its inability to reverse a sizable trade deficit with Japan; its price noncompetitiveness in the European Common Market because the new Taiwan dollar is pegged to the United States dollar; and its only moderate success in breaking into other markets.⁶

Another serious problem for Taiwan is the Tenth Credit Cooperative scandal that broke in February, 1985, which caused a serious loss of confidence in the government and harmed investor confidence. When the scandal broke, it was estimated that the group owned assets in more than 100 companies in Taiwan worth more than US\$3.5 billion. Tsai Chen-chou (head of Cathy Plastics), who controlled the group, was subsequently convicted on six counts of writing bad checks and sentenced to 15 years in prison on each count. His conviction, however, did not absolve the government, which was seen to have been grossly negligent. One-half billion dollars in bad loans, in the eyes of many observers, indicated poor oversight or raised questions about the financial structure of the country, or both.

Minister of Economic Affairs (formerly Finance Minister) Hsu Li-teh and Finance Minister Loh Jen-kong resigned over the scandal. Many felt, however, that other government officials were equally responsible. In fact, critics pointed a finger at Prime Minister Yu Kuo-hua,

because he had been head of the Central Bank when many of the shaky transactions were initiated.

In addition to the Tenth Credit fiasco, during 1984 and 1985 Taiwan experienced four coal mine disasters that claimed 277 lives. In response, the government closed half of Taiwan's 130 coal mines—which were providing only four percent of the nation's energy needs and were highly (and not rationally) subsidized for national security reasons. In a related matter, there was a fire at one of Taiwan's nuclear power plants (though it caused no danger to the public). These incidents led to criticism of Taiwan's energy planning; there was an overcapacity of 37 percent in electricity production, and there were plans in effect (which were canceled) to build another nuclear power plant. Again, government oversight seemed to have gone awry.

Still another problem was the situation in Hong Kong. In September, 1984, China signed an agreement with the British government that would place Hong Kong under the sovereignty of the People's Republic of China in 1997. Inasmuch as Taiwan has sizable investments in Hong Kong and sends that territory eight to ten percent of its exports, some businessmen questioned the wisdom of the government's plan to restrict trade with Hong Kong. The government fears that trade with Hong Kong would lead to a dependence on Beijing that might become difficult politically for Taiwan.

Another problem that affected long-term investor confidence was the uncertainty of United States arms sales to Taiwan. In August, 1982, in a joint communiqué with the People's Republic of China, the United States agreed to reduce arms sales to Taiwan with the goal of eventually ending such sales, in exchange for a pledge from Beijing to seek a "peaceful solution only to the 'Taiwan problem.'" During 1984 and 1985 the United States was apparently abiding by its promise, but Beijing was claiming that it had made no such promise.

Late in 1985, some of the factors causing Taiwan's economic turnaround seemed to be fading or changing in Taiwan's favor. The decline in American demand for Taiwan-made products seemed to be abating. Because Taiwan's currency is tied to the American dollar, a decrease in the value of the dollar also caused a decline in the price of Taiwan's exports, while the price of competing exports was rising. In the future, Taiwan should be better able to sell its products in Japan and in Europe, thereby lessening to some degree the importance of the United States market.

To deal with specific complaints from the United States regarding the balance of trade deficit, Taipei sent another "buying mission" to the United States in late 1985 and took action to lower tariffs from a maximum of over 120 percent to 75 percent. At the same time, Taiwan cut a 1983 surcharge tariff of 20 percent to 5 percent, promising to drop it entirely in 1986. The government also plans to reduce Taiwan's actual overall tariff (total imports divided by customs charges) from a current 7.7

⁴*Asia 1985 Yearbook*, pp. 8–9.

⁵Carl Goldstein, "The Problem of Plenty," *Far Eastern Economic Review*, December 19, 1985, p. 100.

⁶*Asia 1986 Yearbook* (Hong Kong: Far Eastern Economic Review, 1985), pp. 245–246. Also see "The Air Goes Out of Asia's Business Balloon," *U.S. News and World Report*, December 16, 1985, p. 49.

percent to 5 percent in the next five years.⁷ (The overall United States tariff is 4 percent.) Actions were likewise taken on another sore spot in United States–Taiwanese relations: copyright and patent violations. Taipei passed stricter laws against violations—including the field of computer software—and began to enforce laws already in place. By year's end, the United States Congress and United States companies seemed to be placated.

The lessons learned from the Tenth Credit Cooperative collapse will probably prevent another such occurrence. In the course of parrying public criticism, government officials noted that there was relatively little government control over the economy. The public apparently believes that the economy should remain as free as possible inasmuch as the free economy made Taiwan prosperous. The coal mine disasters could be considered a short-range problem. As for Hong Kong, the government seems to be taking the most appropriate tack: allowing debate on the subject while holding a final decision in abeyance.

The government moved to deal with the problem of declining capital investment before the year ended by increasing state enterprise investment by 10 percent and government capital investment by 13 percent (mostly in infrastructure). While private investment is still nearly 60 percent of total capital investment in Taiwan, these actions seemed partially to resolve the problem. Overseas Chinese investment and investment from the United States and Japan (the largest sources of private investment) seemed to present no serious problem. Both were favored by the government. Government actions to stimulate the economy seemed to have another desired effect: by the last quarter of 1985, unemployment showed a 0.4 percent decline.⁸

Inflation has remained at a very low level, presenting

*Editor's note: The Kuomintang is still the only legal party in Taiwan. There is no legal second party. For further details see *The Economist*, October 19, 1985, pp. 33ff.

⁷*Free China Journal* (Taipei), December 8–14, 1985.

⁸See Goldstein, "Taiwan: Trade Growth."

⁹Lee Kao-chao, "Economy on Course Despite International Recession," *Japan Times* (Tokyo), October 10, 1985, p. 17.

¹⁰For background studies on Taiwan's political development, see John F. Copper, "Political Development in Taiwan," in Hungdah Chiu, ed., *China and the Taiwan Issue* (New York: Praeger Publishers, 1979); and Copper, "Political Development in the Republic of China, 1949–1981," in Hungdah Chiu and Shao-chuan Leng, eds., *China: Seventy Years after the 1911 Hsin-Hai Revolution* (Charlottesville: University of Virginia Press, 1984). For an excellent study of the relationship between economic and political development, see A. James Gregor and Maria Hsia Chang, *Ideology and Development: Sun Yat-sen and the Economic History of Taiwan* (Berkeley: Center for Chinese Studies, University of California, 1981).

¹¹See John F. Copper with George P. Chen, *Taiwan's Elections: Political Development and Democratization in the Republic of China*, Occasional Papers in Contemporary Asian Studies (Baltimore: University of Maryland School of Law, 1984).

¹²*Ibid.*, chap. 3.

¹³Ralph N. Clough, *Island China* (Cambridge: Harvard University Press, 1978), pp. 62–64.

no threat to the economy, and if other economic problems can be managed, economic growth will probably not falter. The Council for Economic Planning in Taipei predicted a 5.5 percent growth rate for 1986, which most observers thought was a realistic figure.⁹

After 50 years of Japanese colonial rule, Taiwan became a province of the Republic of China in 1945 when the Nationalist Chinese began to flee from the Communists.¹⁰ Although the native Taiwanese at first welcomed Nationalist Chinese rule, the first three or four years of Kuomintang control were a disaster.* This was caused by incompetence in the top levels of government, disregard for efficient rule or constitutionalism (because the Nationalists were at war with the Communists on the mainland), and hostile attitudes on the part of the Mainland Chinese, who held political power. The feelings soon became mutual, and in 1947 a revolt by the Taiwanese against the mainlanders was put down by brute force.

When the Nationalists were defeated on the mainland and fled to Taiwan to regroup, they tried to alleviate the hatred and distrust felt by the Taiwanese. The governor who had been largely responsible for the 1947 "incident" was executed, and efforts were made to promote local democracy. In 1950, Taiwan had its first island-wide election.¹¹

In subsequent years, however, the practice of democracy was generally limited to local government for several reasons. The country was at war. The Mainland Chinese, who controlled the government, did not trust the Taiwanese, nor did they want to surrender power. The failure of democracy elsewhere in the third world had generally created a negative precedent. On the other hand, the ruling elite was imbued with the political thinking of Sun Yat-sen, who had promised a democratic system. And the constitution that the Nationalists brought with them to Taiwan assumed a democratic system.

In the 1950's and 1960's, democratization proceeded at a slow, albeit continuous, pace. The government became more efficient and corruption and bureaucratization were in part eliminated. Citizen participation in the political process increased and so did confidence in the government.

Nonetheless, the Mainland Chinese perceived that local democracy was not true democracy, but was degraded democracy. Local politics in Taiwan—dominated by the Taiwanese—was characterized by serious factionalism, which allowed the Nationalists to act as intermediaries and to manipulate local politics.¹² However, elections at the top did not become important, and in this sense the system remained generally authoritarian.

In 1972, when Chiang Ching-kuo (now President) became Prime Minister, more significant reforms were put into force. Government agencies and bureaus were made more responsive to the public and, more important, an "affirmative action"-type effort was made to bring the Taiwanese into the Kuomintang.¹³ These changes occurred because of Chiang Ching-kuo's personal order;

but they must be seen in the context of a decade or more of successful economic growth, which gave the government enough confidence to risk democratization and erased the ill feelings between Taiwanese and Mainland Chinese (who had cooperated to produce the economic miracle). Political change was also fostered by United States pressure and by the perception that the Nationalists had no chance of recovering the mainland from the Communists and that they had to remain on Taiwan indefinitely.

In 1980, democracy, in the sense of party competition (in the form of the Kuomintang versus nonparty or independent candidates) in a national election to some seats in Parliament became part of the operation of the political system. After 1980, particularly in subsequent elections, the system became more democratic and a significant degree of political development took place.¹⁴

During 1984 and 1985, however, a pall was cast over an otherwise sanguine view of democratization and an increasingly freer political system in Taiwan. The first problem was the incapacitation of Prime Minister Sun Yuan-suan after a stroke in February, 1984. Sun, who ran the day-to-day operations of government, not only was a superb administrator but also understood the nation's foreign policy problems. He saw the need for economic and political development and was highly regarded by both Taiwanese and Mainland Chinese. Sun was replaced by Yu Kuo-hua, who has built an excellent reputation for political savvy as an adviser to the President and as an economic planner as head of the Central Bank. But he does not have Sun Yuan-suan's ability to run the country.

In April, 1985, a serious political incident made many observers question exactly who was in charge: the government's involvement in the killing of writer and businessman Henry Liu in California the preceding October became public. Apparently, only one or two officials in military intelligence were responsible, and they had acted in direct disobedience of orders from the top. Nevertheless, many critics wondered how and why the writer had been murdered and whether President Chiang's health was a factor. To some critics, the murder proved that the military's influence in government was still strong and that the civilian democracy had not evolved as far as was thought. The incident hurt the government's reputation both at home and abroad.¹⁵

This was followed by the Tenth Credit Cooperative fiasco described earlier and by the resignation of two ministers. The secretary general of the Kuomintang was also implicated and resigned. His replacement, Ma Su-

lay, assumed less personal control over the management of foreign affairs, allowing other top party officials who had few contacts with foreigners, especially Americans, to influence foreign policymaking.

The mine accidents already mentioned, other industrial accidents, poisoned wine that was marketed by the government's Wine and Tobacco Monopoly, and other unfortunate incidents further damaged the government's image. Rumors about who would be the next foreign minister and the next Prime Minister, President Chiang Ching-kuo's health and speculation about his successor all contributed to what many were calling a "crisis of confidence" in the government by mid-1985.

Foreign policy problems coinciding with domestic difficulties only made matters worse. Taipei seemed to freeze when responding to overtures from Beijing to negotiate or to Chinese leader Deng Xiaoping's veiled threats to use military force to "liberate" Taiwan. In late 1985, the Republic of China lost two more embassies—in Bolivia and in Nicaragua—adding further to the malaise. And Taipei's membership in the Asia Development Bank seemed to be less certain. The bank is the last international organization of any importance where Taipei still has representation.

Before the November elections for the Taiwan Provincial Assembly, and the Taipei and Kaohsiung city councils, the mayors and the magistrates, many political pundits were predicting that the Kuomintang would lose and that considerable voter alienation would result in a low turnout. In short, many observers agreed with opposition politicians that there was a "crisis" in the government and that the country was going through hard times politically. As they saw it, the process of democratization was being ignored or set back because the top leadership was unable to cope with the crises.

Judging from the provincial and local election results, however, the situation was not so serious. A sizable majority of the voters apparently perceived that many of the Kuomintang's problems did not reflect incompetence or devolution in government. And as in the past, the independent "opposition" afforded few intelligent alternatives and opposition leaders continued to fight among themselves. Voter turnout did not drop; in fact, it increased compared to the same elections held four years earlier and was higher than average—well above 70 percent. The Kuomintang held its majority, and the voters gave the ruling party essentially the same mandate in local governments that it had in previous elections.¹⁶

(Continued on page 183)

¹⁴See John F. Copper, "Taiwan's Recent Election: Progress Toward a Democratic System," *Asian Survey*, October, 1981.

¹⁵Members of the United States Congress called for a reconsideration of United States arms sales to Taiwan, and the House Foreign Affairs Committee, Subcommittee on Asia and the Pacific, held hearings on the matter.

¹⁶For further details see John F. Copper, "Taiwan's 1985 Elections," *Asian-American Review* (forthcoming).

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"President Suharto has steadily and without rhetoric concentrated unprecedented power in his own hands. . . . In view of Suharto's escalating power, it is important to appreciate his twin obsessions: economic growth and political order."

Indonesia: Economic Growth and Political Order

BY JOHN JAMES MACDOUGALL

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IN 1986, President Suharto and his New Order government face another crisis. The lingering world recession has reduced the demand for Indonesian exports of oil, tin, rubber and other products so drastically that income for state spending has declined and economic growth has slowed, while the number of job seekers has increased. Since 1983, foreign investment applications have also declined, and the prospects for immediate recovery are not bright. In the discouraging economic climate, political unrest has increased.

Indonesia has traditionally been governed by socioeconomic elites. President Sukarno's Old Order relied heavily on Communists and leftists, who mobilized the poor masses at the bottom of society; but President Suharto's New Order curtailed such efforts and exterminated the Communists. Suharto's government is supported by a loose collection of six relatively privileged elites who can be manipulated by skillful authoritarian leaders. These elites include the armed forces (Angkatan Bersenjata Republik Indonesia, ABRI); the civilian bureaucracy and the technocrats; foreign investors and creditors; ethnic-Chinese businessmen; Muslim landowners; and educated Christians. Several characteristics unite them in support of a regime dedicated to political order and economic prosperity: each of the elites fears enemies in the event of disorder, and each relied on the military for security in the 1960's. Each enjoys relatively comfortable economic advantages, and each elite group shares vivid memories of the Old Order, when masses of peasants were mobilized against them.

In the Old Order (1957–1966), the military had to fight against Communists and other political party ideologues. After the aborted coup of 1965 Sukarno was gradually removed from power. Suharto, who was the head of ABRI, assumed the presidency of the state in 1967 by means of ABRI's superior firepower and organization. Suharto and ABRI purged the military and civilian bureaucracies and inserted loyalists in key positions. With a monopoly of arms, superior organization, unprecedented financial resources and the highest bureaucratic offices of the land, ABRI was able to impose its public order and development plans on Indonesia.

Civilian bureaucrats were also frightened by the dis-

orders of the 1960's. Their bureaucratic authority had been undermined and their resources plundered by party politicians; their social privileges had been threatened by the egalitarian promises of radical leftist ideologues; and their salaries had been ravaged by hyperinflation. The 3.5 million civil servants, teachers and soldiers have profited from the New Order's economic and political security. Technocrats from various professions, who were excluded from policymaking positions and whose scientific recommendations were rejected by ideologues and party politicians under the Old Order, now enjoy opportunities to practice and profit in an anti-ideological political climate.

Foreign investors and international financial experts, whose businesses were expropriated and whose aid and stabilization programs were rejected by nationalist or leftist ideologues in the Old Order, support a New Order regime that has welcomed their investment capital and technology and has provided a stable political and economic climate. These investors in petroleum, timber, agriculture and other sectors have channeled unprecedented financial resources to state policymakers. Ethnic-Chinese businessmen, part of the Chinese minority of three million, were financially, politically and physically harassed in the Old Order by nationalist and Islamic ideologues. Now protected by and dependent upon ABRI, they are able to use their entrepreneurial resources and political connections on behalf of state economic expansion. In the Old Order, the Christian minority with superior education who had achieved relatively privileged positions feared that Communist and Islamic zealots would mobilize the masses. Christians are now protected by ABRI (which has a disproportionate number of Christians in the highest ranks). In the Old Order, devout Muslims (*santris*) who owned rural land in Java were threatened by bands of Communist-inspired, nominally Islamic *abangan*, landless peasants violently trying to implement land reform laws. In the New Order, after ABRI allowed *santris* and others to massacre perhaps half a million *abangan* peasants, *santris* are secure in possession of their lands and wealth, while millions of their *abangan* neighbors continue to live in dire poverty.

The vast masses of *abangan* peasants, who live—

intimidated, passive and poor—at the lowest level of society, recall the massacre of their neighbors in the 1960's and are grateful to ABRI for protection against any recurrence of Muslim violence.

The privileged elites in the New Order have reason to fear a return of the ideological wars provoked by extremists of the Communist or nationalist left or the Islamic or "liberal" right. If they forget, they are constantly reminded of these dangers by New Order leaders. Enjoying personal security and a relatively rich share of the expanding economic pie, the elites constitute a bourgeoisie that is too dependent on the regime to oppose it.

A STRONG LEADER

President Suharto has steadily and without rhetoric concentrated unprecedented power in his own hands.¹ Unlike the relatively cosmopolitan President Sukarno, who was educated in Dutch schools and who developed his political skills in confrontations with Westerners, President Suharto is a relatively traditional product of central Javanese primary schools who developed inside the confines of a national bureaucracy. Suharto acquired a strong business sense and political skills as he gathered power, all the while trying to project "the aura of a traditional Javanese King—patient, restrained, even-tempered and judicious, a man of inner calm and effortless self-control. . . ."²

In an insecure and factionalized military bureaucracy, he delegates power on the basis of personal loyalty and has devised administrative procedures that concentrate power in his loyalists while insuring his final control. Employing enormous financial and bureaucratic resources, this modernizing bureaucrat relies on a traditional mix of "carrot-and-stick" and "divide-and-rule" tactics to increase state power.

Since 1983 and his election by acclamation, Suharto has demonstrated increasing confidence and independence. In 1983, he appointed a "no-nonsense" Cabinet composed of military and technocrat subordinates totally dependent on him. He acted with surprising severity against very popular opponents after the 1984 Muslim street demonstrations; he ordered draconian actions in 1984–1985 to clean up the customs bureau, openly gave financial aid to several ethnic-Chinese business friends in distress, and completed journeys to Communist and Western states to promote exports. His image is displayed more prominently than ever before on patriotic occasions.

In view of Suharto's escalating power, it is important to appreciate his twin obsessions: economic growth and

*Pancasila consists of five ideological principles that were elaborated by President Sukarno in 1945: belief in one God, humanitarianism, national unity, consensual democracy and social justice.

¹See David Jenkins, *Suharto and His Generals: Indonesian Military Politics, 1975–1983*, Cornell Modern Indonesia Project Monograph Series, no. 64 (Ithaca, N.Y.: Cornell University, Southeast Asia Program, 1984).

²Jenkins also notes, however, that Suharto "was given to periodic emotional outbursts." Ibid., p. 158.

political order. In his diagnosis of society, Suharto sees poverty and economic instability as the conditions underlying political ills. To relieve these conditions, he promotes economic expansion financed by foreign capital. Suharto blames "foreign" ideologies like communism, radical nationalism, liberalism and radical Islam for undermining the political harmony needed for economic progress. As a cure, President Suharto prescribes the traditional values and behavior contained in the flexible ideology of Pancasila,* which is supported by state organizations like ABRI and Golkar. Golkar, an acronym for "Functional Groups," is the government party created by ABRI; it is made up of government-directed corporate groups and it is staffed by government officials.

A STRONGER ABRI

In contrast to the political parties that are linked to alien ideologies and seek to control the state for particular groups, ABRI is depicted as the overarching protector of the nation-state and the universal defender of all the people and their national ideology, Pancasila. ABRI is the most powerful and the best-organized political force in Indonesia. Since independence, it has become increasingly Javanese and has played a more political role. ABRI fought both the Dutch and the Communists during the revolution; it also fought the proponents of "Western liberalism" in the 1950's, the proponents of an Islamic state in the 1950's, and alleged Communists and radicals in the 1960's. After independence, ABRI carried the flag in battles against Malaysia in the early 1960's and today it battles those who rebel against its rule in Irian Jaya and East Timor. In times of crisis, ABRI has often acted as an occupation force responsible for military and political functions.

After extensive purges of the state bureaucracy, in 1966 President Suharto's group of ABRI leaders staffed ABRI with loyalists and sharply reduced its factionalism. Utilizing the flood of foreign aid, foreign investment and bonanza oil profits in the late 1960's and the 1970's, ABRI leaders disbursed great wealth to secure their control of the state apparatus. In 1965, they established a powerful new ABRI-controlling organization, the Kopkamtib (Operational Command for the Restoration of Security and Order). They have regularly reorganized ABRI—in 1969, 1974, 1979 and 1985—to make it more responsive to their commands. The 270,000-man army has steadily tightened its control on society and has operated as the "steel brace" of the "soft" state, manning key Cabinet positions (the presidency, the Departments of the Interior, Defense, Manpower and so forth) and assigning over 16,000 individuals to key civilian positions from the top of society (governors, district heads, political party representatives) to the bottom (village heads).

ABRI's pervasive penetration of society has been rationalized and legitimized by the legal doctrine of "dual function" (*dwi fungsi*), which authorizes ABRI to play both military and political roles. Politically, ABRI's lead-

ers are deeply suspicious of uncompromising Islamic and other ideologues. As a result, ABRI has strongly promoted the state ideology of Pancasila, has reduced the political power of independent parties, and has filled the resultant political vacuum with Golkar, the political party established by President Suharto and ABRI.³ Created by ABRI and backed by its guns, staffed and supported by the Corps of Civil Servants (Korpri) and funded by the state, Golkar has regularly demonstrated the power of the New Order by triumphing in successive elections.⁴ General Sudharmono, the chairman of Golkar, has described the party's purpose: Golkar will implement the state ideology of Pancasila by transferring the political allegiance of all individuals—from peasants and fishermen to preachers and teachers—from contending, independent sociopolitical organizations based on inflexible, religious-ideological differences to Golkar, a cooperative, dependent, pragmatic organization based on shared national goals.

Golkar's corporatist component organizations—farmers cooperatives, workers federations and so forth—are designed to disseminate the Javanese values of Pancasila and to harmonize political demands by filtering them through these organizational screens. Because of its repeated electoral successes, Golkar has been instructed to rely on its own network of individually recruited officials in the 1987 elections, rather than on ABRI or Korpri officials. Given the weakness and disunity of the other political parties, Golkar is stronger than ever.

In the national elections of 1972, 1977 and 1982, ABRI and Golkar successfully demonstrated their ability to collect an overwhelming majority (70 percent) of votes and to dominate the state's parliamentary bodies. Consequently, no independent political force is able to challenge ABRI's dominance—established party politicians depend on ABRI patronage and ideas, and radical groups have been exterminated or controlled.

In 1983–1985, ABRI successfully replaced most of the older generation of military leaders. It is now completing this generational transfer of power and simultaneously reorganizing to tighten its control.⁵ In the government, where corruption is rife, ABRI officials aid ethnic Chinese and other business associates. In education, ABRI conducts military training on university campuses; it also trains civilian bureaucrats at its military colleges. In national and constitutional life, ABRI leaders assume responsibility for deciding the country's future.

The various functionaries who staff Golkar have benefited handsomely. The expanding bureaucracy has given

them more responsibility, has protected them from traditional political intervention, has awarded them generous salary increases in a relatively noninflationary economy, and has offered them an environment of relative security. The bureaucracy has implemented programs to bring compulsory primary education to the masses, achieve self-sufficiency in rice production and spread development programs everywhere. The steady increase in the capacities, responsibilities and rewards of the central bureaucracy makes it unlikely that Golkar's members and clients will withdraw their electoral support from Golkar in the near future.

A STRONGER STATE IDEOLOGY

Development is the economic ideology of the New Order. For almost 20 years, Suharto and his team of technocrats have publicly explained the ends and means of economic development in seminars, working groups, schools and the media. The successive and successful five year economic plans have legitimated the regime, have attracted foreign capital and prestige, and have promoted political order by dampening demands. New Order technocrats hope this environment of economic predictability will create a new culture in which individuals can learn to act more rationally, independently and realistically so that they will abandon their blind dependence on impractical and inflexible dreams. President Suharto, the technocrats, ABRI and Golkar have based their claims to legitimacy on economic progress, and their successes have supported them.

Pancasila is the nation's unique ideology and is designed to instill a new "political" culture. Indonesia's Pancasila is to take the place of false, foreign and inflexibly warring ideologies and is expected to guide citizens through the socioeconomic storms of modernization by encouraging their reliance on traditional Javanese values—like flexibility, tolerance and the avoidance of conflict.⁶

President Suharto has invested heavily in state resources to force all Indonesians to internalize Pancasila's values and to eliminate from politics both heretical and secular religions, especially communism and radical Islamic fundamentalism. In 1978, the government ruled that all citizens must undergo intensive training in Pancasila. Pancasila studies have been integrated into the elementary school and even the university curriculum. All citizens, including Muslim and Christian clergy, are enrolled in these courses. In 1983, Parliament ordered all political parties to adopt Pancasila as their sole guide, and in 1984–1985 it passed a law forcing all social organizations—including religious voluntary groups—to accept Pancasila. It is ironic that in ordering the promulgation of a state ideology designed to eliminate uncompromising ideologies from politics, officials have themselves refused to compromise. Despite heated opposition from various religious groups, the "established" religious leaders began to accept Pancasila in 1985.

The 1984 Muslim protests against the government's

³Jenkins, op. cit., p. 149.

⁴Paul Handley, "A Matter of Influence," *FEER*, October 17, 1985; and Jenkins, op. cit., p. 158.

⁵Lincoln Kaye, "Fighting Trim Reforms," *Far East Economic Review (FEER)*, October 24, 1985, pp. 23–25.

⁶Donald F. Weatherbee, "Indonesia in 1984: Pancasila, Politics and Power," *Asian Survey*, vol. 25, no. 2 (February, 1985), p. 188.

imposition of Pancasila were suppressed severely. In 1986, respected retired generals and popular Muslim political and religious leaders (and obscure believers) are being tried, convicted and sentenced for "anti-Pancasila" actions. Radical Muslims who had been jailed for terrorist acts are also being tried and convicted; Communists, long since condemned to death, are being executed. Thus New Order leaders are rejecting political opposition to Pancasila.

STRONGER NATIONAL ECONOMIC POLICIES

Throughout its history, the island economy of Indonesia was open to and structured by foreign traders. In the early 1960's, President Sukarno isolated the national economy, which subsequently suffered bankruptcy. In the New Order, President Suharto returned to more traditional trading arrangements. In the late 1960's, he invited foreign traders and international aid agencies to return to Indonesia and to invest billions of dollars in project grants and credits. Welcoming investors bearing capital and technology, New Order economists worked closely with international agencies to devise plans to stabilize the currency, rehabilitate the infrastructure, develop agriculture and generate the industry needed for eventual economic "takeoff."⁷

Responding to Indonesia's invitation, foreign investors rushed to extract Indonesia's relatively untouched stores of petroleum, timber and other resources and to create new industries to substitute for imports. With the large oil profits of the 1970's, state leaders were able to invest heavily, not only in agriculture but also in new fertilizer, chemical, cement, steel, timber, oil refining and other industries. During the economic boom, economic growth averaged about seven percent a year; inflation was modest; and the government had ample resources to provide jobs, recruit political dependents and reduce political demands.

In the early 1980's, the oil bonanza faded and the state, which depends on the sale of petroleum for over 60 percent of its revenues, suffered its first oil-price decline. To compensate for its losses, President Suharto reduced costly subsidies on kerosene, fertilizer and other consumer products, devalued the currency, introduced bold tax and banking reforms, and reduced spending on big industrial development projects. Benefiting from good weather and years of state investment in agriculture, Indonesia enjoyed bumper rice crops and achieved its politically symbolic goal of self-sufficiency in 1985.

Despite these positive economic results, the continuing slide of oil and commodity prices in 1983-1984 required more drastic decisions. In 1985, government officials instituted a sweeping reform of the country's wasteful ports and customs system in order to cut business costs, attract

foreign investment and stimulate trade. To reassure ethnic-Chinese investors and to discourage capital flight, policymakers gave financial aid to the troubled cement and plywood industries and ordered state economic agencies to give ethnic-Chinese businessmen the same treatment that they gave to indigenous investors.⁸ In 1985, foreign investors became eligible for subsidized export credits and were allowed to participate in previously closed economic sectors if they invested in export-producing enterprises.

Despite these attempts to attract foreign investors and to stimulate exports, many protectionist measures inflate the costs of production and discourage foreigners. Inside the "corridors of power," protectionists compete with free traders; promoters of capital-intensive industries compete with those of labor-intensive industries; and advocates of public enterprise vie with supporters of private enterprise. There are continuing debates about which economic policies will protect the economy against the projected slump in export earnings.⁹ Today, domestic and foreign investment levels are low, and despite years of economic growth, more than 20 percent of the population suffers from dire poverty. The agriculture sector remains bright, and there are hopes that it will absorb job seekers during the recession.

STRONGER FOREIGN POLICIES

President Sukarno tried to promote Indonesia's interests by asserting policies boldly and aggressively. Despite an "active and independent" foreign policy, he aligned the state ideologically with the most radical and the poorest states of the world and deliberately avoided Western capital. In contrast, President Suharto has adopted a traditional Javanese style of diplomacy and has tried to build Indonesia's prestige by consolidating economic and political power and by adopting a more cautious and deliberate low profile.

Since 1966, Jakarta has worked to consolidate its position by trying to persuade the international community to accept its archipelagic hegemony. In 1975, Indonesia conquered East Timor—purportedly to preempt a "Communist" takeover—and provoked global condemnation of its "imperialism." Since then, Indonesian troops have sporadically fought the natives who opposed the takeover. In Irian Jaya, Indonesian troops have defended the official attempt to settle thousands of Javanese transmigrants in the face of opposition from the natives. These different campaigns by Jakarta to "fill in the map" with its people and forces have provoked sharp criticism.

(Continued on page 178)

John James MacDougall has written articles on Indonesian political and economic developments in *Asian Thought and Society*, *Asian Survey* and *Bijdragen Tot de Taal, Land en Volkenkunde*, and has conducted research on South-east Asia for the United States Department of State and the Department of Defense.

⁷"No Longer in Doubt But Still in Danger," *FEER*, October 10, 1985, pp. 67-68.

⁸Weatherbee, op. cit., p. 192.

⁹Lincoln Kaye, "Indonesia Adrift As The Oil Tide Ebbs," *FEER*, November 14, 1985, pp. 66-67.

BOOK REVIEWS

ON EAST ASIA

THE PACIFIC CENTURY: ECONOMIC AND POLITICAL CONSEQUENCES OF ASIAN-PACIFIC DYNAMISM. By *Staffan Burenstam Linder*. (Stanford: Stanford University Press, 1986. 154 pages, notes, bibliography and index, \$18.95.)

Is East Asia the new frontier of development economics? Can the formula for the economic successes of Japan, Taiwan, South Korea, Hong Kong and Singapore be exported to other developing countries? Swedish economist Staffan Linder answers yes to both questions. He prophesies a new axis of economic power running from Tokyo to Seoul to Singapore.

But Linder's short, superficial description of the non-Communist Asian Pacific nations' economic growth is less an analysis than a cheer for the virtues of unfettered capitalism. A true Friedmanite, he disregards the specifics that might cast doubt on his generalization that free-market economic policies coupled with "rational" prices and export-based economies have led to the phenomenal growth of these Asian countries.

This faith in the "magic" of the marketplace leads Linder to reject other explanations for the area's growth. Linder is correct to dismiss the pop explanations of Asian development—"Theory Z" and the supposed "communalistic" nature of Asians. But he then denigrates arguments that government-aided economic plans have contributed largely to the growth. As many scholars have carefully argued, neomercantilism and industrial policy have played an important role in most of the countries Linder singles out for praise. Perhaps the most damning evidence comes from Malaysia's Prime Minister Mahathir, who, in a self-conscious reference to Japan, called for a Malaysia Incorporated "where there is close cooperation between the government and the private sector to ensure the progress of the company."

In fact, almost every country Linder praises for pure capitalist growth has engaged in "impure" practices: Indonesia's government is very much involved in economic development, as are the governments of South Korea and Malaysia; and both Indonesian and South Korean economic development have benefited from large inputs of international aid. Linder's comments that developing countries in the south fail to prosper because they are more interested in economic planning than economic growth and are "addicted" to aid thus do not correspond with the historical reality of Asian growth.

The accelerated growth of the non-Communist East Asian economies needs to be explained and examined as a model for other developing nations (the lack of democratic political development in most of the East

Asian nations, which Linder does not address, also needs to be assessed). Linder's book is not a step in that direction. W.W.F.

MARXISM IN ASIA. Edited by *Colin Mackerras and Nick Knight*. (New York: St. Martin's Press, 1985. 297 pages, notes and index, \$32.50.)

The authors analyze the Marxism practiced by the Communist regimes of China, Vietnam, Kampuchea and North Korea. The essays are intended to be only general outlines of each country's Communist policies. However, Ben Kiernan's analysis of the Khmer Rouge's communism is an exceptional piece of original research and a chilling analysis of Pol Pot's application of Stalinism to Kampuchea. (One party exhortation on the program to depopulate urban areas perhaps epitomizes the Khmer Rouge's ruthlessness: "Spare them, no profit; lose them, no loss.") W.W.F.

THE WRONG WAR: AMERICAN FOREIGN POLICY AND THE DIMENSIONS OF THE KOREAN CONFLICT, 1950-1953. By *Rosemary Foot*. (Ithaca: Cornell University Press, 1985. 290 pages, notes, bibliography and index, \$29.95.)

The Wrong War, part of the excellent Cornell Studies in Security Affairs series, analyzes the perceptions, strategies and actions of United States policymakers during the Korean War. Foot makes good use of recently opened archival material to describe the intellectual environment that influenced the Truman and Eisenhower administrations' actions to limit the war. One of the more interesting points Foot makes is that the Eisenhower administration's debates on the possible use of nuclear weapons to end the conflict were not a bluff; "the use of atomic weapons became an integral part of the planning to force a military solution in Korea" and, in Secretary of State John Foster Dulles's words, to give "the Chinese one hell of a licking."

W.W.F.

THE MAKING OF NEW ZEALAND. By *G. R. Hawke*. (New York: Cambridge University Press, 1985. 362 pages, further reading and index, \$44.50, cloth; \$26.95, paper.)

This in-depth but readable economic history of New Zealand focuses on economic development in the post-war era. Government-business interaction is fully covered, and New Zealand's trading position is examined.

W.W.F.

THE AMERICAN ROLE IN VIETNAM AND EAST ASIA: TWO REVOLUTIONS. By *Henry J. Kenny*. (New York: Praeger, 1984. 192 pages, bibliography and index, \$26.95.)

"As far as major involvement in the third world is concerned," this author argues, "we 'cut our teeth' in East Asia. We had some notable failures but they are overshadowed by . . . splendid achievements." Kenny writes after serving with the army's Special Forces in Vietnam, on the faculty at the United States Military Academy at West Point, and as special assistant to Ambassador Mike Mansfield in Tokyo. He sees the American role in Vietnam and East Asia in terms of a continuing Soviet threat to the region and to United States interests worldwide. Accordingly, he writes, the United States committed American combat forces to Vietnam because of "the threat of monolithic Sino-Soviet expansion perceived throughout Asia. . . ."

After discussing the American involvement in the Vietnam War, Kenny analyzes what he terms the American "withdrawal syndrome," the growing Soviet presence, and the increasing importance of the Pacific region to the United States. Noting that "the Pacific is the largest body of water in the world," Kenny points out that

its depth and extensive maneuver room provide submarines an ideal environment in which to operate. With the land-based component of America's triad increasingly vulnerable . . . the new Trident-class ballistic missile submarines, scheduled for deployment in the Pacific in the 1980's, will be crucial to the maintenance of the worldwide strategic balance for at least the rest of the century.

American bases in the Philippines and in Japan are vital to American security, because they "make possible the forward-deployed force structure necessary to America's global strategy." Kenny believes that "Soviet leaders continue to seek opportunities for the exploitation of turmoil throughout the world"; he maintains that "the global Soviet socialist steamroller has momentum and is intent upon reversing the favorable winds of freedom." He calls for a "coherent and comprehensive policy" to deal with this threat and holds that although the United States will have to pay a price for its global policy, "withdrawing to fortress America . . . [would] lead to a far greater price for our children in the years to come."

This is a well-argued and well-written study with an open and pronounced conservative bias in favor of the Western way of life and a free-market economy. In his concluding chapter, "Let Freedom Ring," Kenny states that "What has transpired in East Asia in the past 25 years demonstrates beyond a doubt that the promise of communism is an illusion." Not all students of East Asia see the history of the last quarter-century in quite such simplistic terms. O.E.S.

VIETNAM WAR ALMANAC. *By Harry G. Summers Jr.* (New York: Facts on File Publications, 1985. 414 pages, selected bibliography and index, \$24.25.)

Colonel Harry G. Summers has written a comprehensive almanac for readers who are looking for brief,

popular, factual accounts of the war in Vietnam. Part I of the almanac details the background of the war, "physical realities," "historical realities," the story of the first Indochina war, and the establishment of the Republic of Vietnam. Part II is a brief chronology of the war from 1959 to 1975. Part III, "The Vietnam War: A to Z," is a very brief encyclopedia with explanations of most if not all of the common terms, the battles, and the personalities who were engaged in the struggle. A selected bibliography, maps and photographs add value to the informative and simply written text. O.E.S.

THE ENEMY BEYOND: EXTERNAL THREAT PERCEPTIONS IN THE ASEAN REGION. *By Robert Tilman.* (Singapore: Institute of Southeast Asian Studies, 1984. Distributed in the United States by Gower Publishing Co., Brookfield, Vt. 51 pages, \$11.50, paper.)

"Research Notes and Discussions Paper no. 42" is one of an inexpensively printed but high-priced series published in Singapore by the Institute of Southeast Asian Studies. Here, Robert Tilman deals with "The Contours of ASEAN Foreign Policies," "External Threats," and "The Enemy Beyond and the Enemy Within," a discussion of ASEAN perceptions. For the ASEAN nations, the enemies beyond include China, the Soviet Union, Japan and the United States. Tilman concludes, however, that "the most serious threats perceived by the leadership of the ASEAN states are domestic and not foreign." O.E.S.

SECURITY IN EAST ASIA. *Edited by Robert O'Neill.* (New York: St. Martin's Press, 1984. 195 pages and index, \$22.50.)

This volume offers a series of studies on the relations among the nations of East Asia, including the influence of superpower rivalries, the importance of China, the "readiness of regional powers in East Asia to use conventional military force against each other," and the domestic instability that haunts many nations of the area.

Paul Dibb analyzes "Soviet Capabilities, Interests and Strategies"; Yakui Satoh and Kenneth Adelman deal with Japanese security policy; China is discussed by Gerald Segal and Takashi Tajima; Southeast Asian difficulties are evaluated by Michael Leifer; ANZUS and American security are described by William T. Tow; Robert A. Scalapino writes on the changing era of American-East Asian relations. The shadow of a potential Soviet threat to the area and the precarious security and stability of some nations in East Asia are threads that run through many of these well-written essays. O.E.S.

THE FOREIGN POLICY OF THE REPUBLIC OF KOREA. *Edited by Youngnok Koo and Sung-joo Han.* (New York: Columbia University Press, 1985. 306 pages, tables, bibliography and index, \$25.00.)

(Continued on page 185)

NORTH KOREA

(Continued from page 167)

When North Korean Vice President Pak Song-chol arrived in New York, he talked informally with South Korea's Prime Minister Roh Jae-won; both officials delivered speeches at the United Nations General Assembly. These episodes, milestones in inter-Korean relations, may help to improve North Korea's bellicose and tarnished image in the United States and abroad.

North Korea also wants to improve relations with Japan, thus far with little success. Pyongyang continues to criticize the so-called remilitarization of Japan and opposes what it calls the triple military alliance linking the United States, Japan and South Korea. But on the economic front Pyongyang wants to increase its trade with Japan and invites technology transfer and Japanese investment through its joint ventures. Pyongyang extends frequent invitations to Japanese Dietmen in both the ruling and the opposition parties and to delegates of Japanese economic and cultural organizations.

Under its joint venture laws of September, 1984, North Korea succeeded in persuading the Japanese company Asahi Shosha, owned by the pro-North Korea Federation of the Koreans in Japan, to open the Nakwon Department Store in Pyongyang. This group of chain stores, planned for 30 locations in North Korea, has been established primarily to meet the demands of foreigners living in North Korea. North Korea will continue to rely on this private and commercial channel with the Japanese.

In 1985, inter-Korean relations improved because of Red Cross conferences to reunite dispersed families, and the economic talks and the parliamentary talks, the latter two at Panmunjom. Dialogue and negotiation will certainly help to reduce tensions and to institutionalize peace on the Korean peninsula in the long run, although the reasons why North Korea is adopting a more flexible negotiation posture may not be simple.²³

North Korea is alarmed by the evolving military and economic balance on the Korean peninsula, which is increasingly shifting against it. In Pyongyang's estimation, the United States-Korean defense treaty, South Korea's growing military capability and the increasing economic gap between the two Koreas in favor of the south indicate that its position vis-à-vis South Korea will not be tenable indefinitely. North Korea may therefore modify its rigid self-righteous stand, abandoning confrontation toward the south and adopting a pragmatic diplomatic strategy of dialogue. In addition, Pyongyang's desire to participate in the 1988 Seoul Olympics, under the proposed formula of co-hosting the Olympics with South Korea, may have led North Korea to adopt a more flexible diplomatic posture.

Inter-Korean dialogue may usher in a new era of peace

²³Young Whan Kihl, "The 5th Column: Korea's North-South Dialogue Rests on a Powder Keg," *Far Eastern Economic Review*, October 17, 1985, p. 44-45.

and cooperation, instead of war and confrontation. The regimes of North and South Korea should engage in peaceful competition in the areas of economic development, and diplomatic, cultural and artistic accomplishments, to build a foundation of mutual trust and to restore the national homogeneity of the Korean people. The normalization of inter-Korean relations will ultimately help to reunify the divided country. ■

INDONESIA

(Continued from page 175)

European parliamentarians, Portuguese, Chinese and Australian officials, some third world leaders, United Nations members, and religious and human rights groups have all protested. Partly to disarm its critics, Indonesia has recently stepped up its activities in the diplomatic world.

In ASEAN, the Association of Southeast Asian Nations, Indonesia would like to assume a leadership role commensurate with its large population, its strategic location, and its political, economic and cultural power.¹⁰ In 1984-1985, it tried to settle the Kampuchean crisis by exchanging visits with Vietnamese leaders, expressing sympathy with Vietnam (which fears the Chinese), and mediating between Vietnam and the United States on the missing-in-action (MIA) issue. Along with Malaysia, Indonesia perceives China rather than Vietnam as the long-range threat to the region; it is not alarmed by the Soviet Union's presence and supports efforts to make the region a nuclear-free zone, independent of the two superpowers.¹¹

Indonesia has close economic ties with Japan—its principal trading partner—and joins with Japan in protesting the protectionist policies of the West. Indonesia does not share China's fear of the Soviet Union and remembers China's alleged attempts to subvert Indonesia's government in the 1960's. Having suspended diplomatic relations with China after the 1965 coup attempt, Indonesian leaders refuse to renew those ties, despite strong Chinese overtures. In 1985, in a worsening economic climate, Indonesian business leaders finally entered into direct trade relations with China, hoping to increase exports.¹²

In 1985, President Suharto made his first trip to a Communist state, Romania (in an effort to promote trade) and spoke in Rome to the Food and Agriculture Organization in order to celebrate Indonesia's self-sufficiency in rice and to call for a New Economic Order. Closer to home, officials continued negotiations to seek Portuguese recognition of Indonesian sovereignty over

¹⁰Weatherbee, op. cit., p. 193.

¹¹Rodney Tasker, "Stealing the Thunder," *FEER*, July 18, 1985, p. 15; and "Strength and Security in Family Cooperation," *FEER*, April 18, 1985, p. 25.

¹²Richard Nations, "Wu-ing Suharto," *FEER*, May 23, 1985, p. 27. Also see Wayne Bert, "Chinese Policy Toward Burma and Indonesia: A Post-Mao Perspective," *Asian Survey*, vol. 25, no. 9 (September, 1985).

East Timor; Indonesia gained Australia's recognition of its sovereignty after agreeing to arrangements for the joint exploration of an oil-rich seabed. Australian leaders are anxious about Indonesia's military movements in the area, especially in view of Indonesia's invasion of East Timor and its operations in Irian Jaya. Regarding relations with the United States, Indonesia remains so dependent on American investment aid and credits and so appreciative of military and diplomatic support that it will not risk destroying good relations. Despite its domestic anti-Communist posture, Indonesia remains nonaligned. It rarely votes in the General Assembly with the United States; it supports Islamic states against Israel; it rejects United States perceptions of the Soviet Union and China; and it avoids domination by either superpower. In Latin America, Africa and elsewhere, Indonesia has increased its diplomatic missions and contacts. President Suharto now seeks election to the chair of the world's Nonaligned Movement.

Observers speculate that President Suharto has turned to foreign policy because he has secured political and economic stability at home. With domestic political control firmly in hand and with economic resources declining, Suharto apparently sees diplomatic relations as another unexploited natural resource. Indeed, in view of Indonesia's location on strategic sea lanes, its power in a volatile region, its "nonideological" (neither Communist nor capitalist) strategy at home and its "nonaligned" posture abroad, Indonesia's friendship may well be worth more to the global powers than they realize. ■

THE UNITED STATES AND THE WESTERN PACIFIC

(Continued from page 148)

the United States regards the steps that Korea has taken to implement these agreements as inadequate.

The United States has supported South Korea in its efforts to attain greater international status. It has encouraged the South Koreans in their moves toward various forms of cooperation with North Korea, including meetings of Red Cross representatives of the two Koreas, negotiations for economic, commercial and communications links, the reunion of the many divided families (which the South Koreans believe may directly affect as many as 10 million families), and the "peaceful reunification" of the Korean peninsula under conditions acceptable to both nations. The United States has indicated some interest in developing limited relations with Pyongyang and in working with the Soviet Union in the interest of "peaceful reunification"; but it steadfastly refuses to enter into any negotiations on "peaceful reunification" unless representatives of South Korea are directly involved.

¹⁵Quoted in John W. Garver, "The Reagan Administration's Southeast Asian Policy," in James C. Hsiung, ed., *U.S.-Asian Relations: The National Security Paradox* (New York: Praeger, 1983), p. 94.

THE SECURITY OF SOUTHEAST ASIA

After the end of the Vietnam War and the withdrawal of American forces, United States attention to and interest in Southeast Asia declined noticeably. The United States has recently become more active in the region, mainly because of the growing Soviet presence and developments in Indochina, increased contacts with the Association of Southeast Asian Nations (ASEAN), and concern about the deteriorating situation in the Philippines.

Richard Holbrooke, the assistant secretary of state for East Asian and Pacific affairs in the Carter administration, stated three basic United States policy objectives in Southeast Asia:

- (1) maintaining the political stability and economic progress of the "free market" system of the ASEAN countries;
- (2) in cooperation with ASEAN, restraining Vietnamese aggression; and (3) curbing the growing Soviet military presence and influence in the region.¹⁵

These objectives have continued to be central for the Reagan administration, which has taken a sustained and growing interest in Southeast Asia and has in many ways proved that the United States, officially at least, has reversed the physical and psychological retreat from Southeast Asia that followed the sad experience in Vietnam.

A major aspect of current United States policy in Southeast Asia is the development of close and growing ties with ASEAN, which has emerged as the most important regional arrangement in the Western Pacific. United States consultations with ASEAN and its member states (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) have expanded in many directions. One of the most interesting is the regular attendance of the United States secretary of state at the "postministerial" meetings that the foreign ministers of the ASEAN countries hold with their "dialogue partners," including Japan, Canada, Australia, New Zealand, the European Economic Community (EEC) and the United States.

The United States shares ASEAN's concern about the situation in Indochina and its impact on the rest of Southeast Asia and beyond. ASEAN has taken the lead in demanding that Vietnam withdraw its forces from Kampuchea (Cambodia) and in refusing to recognize the Vietnamese-sponsored Heng Samrin regime as the legitimate government of that country. One ASEAN member, Thailand, has become a "front-line state," to use a term that the United States often employs and that ASEAN leaders do not like. Because of Thailand's position, the United States and Thailand have revived security associations that date back to the Manila Treaty of 1954 and the Rusk-Thanat agreement of 1962, and the United States is again providing Thailand with substantial military assistance (valued at \$105 million for fiscal year 1985).

The United States is more concerned than most ASEAN states with the close ties between the Soviet

Union and Vietnam and the Soviet Union's access to and development of important naval and air facilities at the American-built bases at Cam Ranh Bay and Danang. Since the Vietnamese invasion of Kampuchea, ASEAN countries have been more willing than the United States to develop better relations with Indochina.

THE PHILIPPINE DILEMMA

The United States faces major problems with the Philippines. Indeed, as Paul D. Wolfowitz, assistant secretary of state for East Asian and Pacific affairs, told the Senate Foreign Relations Committee in October, 1985, this is

one of the most serious foreign policy challenges we face, not just in East Asia but worldwide. [The] important American interests [are] a stable, prosperous and democratically oriented Philippines; prevention of a Communist takeover; strategic access to the naval and air force facilities at Subic and Clark; [and] successful regional cooperation in Southeast Asia.¹⁶

After Ferdinand Marcos rose to power in the Philippines in 1965, the troubles of that country and the strains in United States–Philippine relations escalated. In 1986, to paraphrase a familiar phrase, the Philippines is “the sick man” of Southeast Asia, politically, economically and socially. Leftist and most other opposition groups were united on at least one demand, namely, that Marcos had to resign; and often this demand was linked with demands that United States influence and United States bases in the Philippines must also disappear. But Marcos remained in power until February 25, 1986, using the combination of “carrot-and-stick” and “divide-and-rule” techniques that had enabled him to survive since 1965. In spite of widespread opposition, these techniques had seemed to be effective until the national elections of February 7, 1986.

The United States consistently worked with the Marcos regime and was prominently identified with Marcos. But after the assassination of opposition leader Benigno S. Aquino Jr. in August, 1983, it tried to develop some distance from the Marcos regime. The Reagan administration put pressure on Marcos to make substantial reforms, while remembering its political and economic interests in the Philippines and its important military bases there. There was continuing criticism of this ambivalent policy, both in the Philippines and in the United States. The overall effect of the criticism was to alienate Marcos. He obviously resented and resisted most United States efforts to force him to introduce major reforms that might well have led to his political demise. American efforts also

failed to appease many critics of Marcos in both countries; these critics charged that the United States would compromise its basic principles in order to maintain its favored status and special interests in the Philippines.

The future of the massive United States air and naval facilities at Subic Bay and Clark Field is of central concern to the United States. When the bases agreement, originally signed in 1951, was renewed in 1983, Marcos drove a hard bargain, including a \$900-million aid commitment. The agreement expires in 1991, and before he fled Marcos indicated that his terms for renewal would be even stiffer. Some influential Americans argue that Marcos's terms were already too high and that the United States should not bow to further “blackmail.” But the availability of the bases is even less certain now that the government of President Corazon Aquino has come to power in the Philippines. And the internal situation in the Philippines may become so disruptive that the bases will be in danger.

Many critics of United States policy in the Philippines feel that United States policy has been dominated and therefore distorted by the American desire to keep the Clark and Subic bases. Some critics even approve of the advice of George McT. Kahin, a long-time American specialist on Southeast Asia, to “forget” the bases.¹⁷ Kahin, like many others, believes that the bases will become increasingly insecure and that for military and political reasons it would be wiser for the United States to move these centers of regional military and naval operations to a more secure location. He points out that there are viable alternative sites—Guam and the Northern Marianas (probably Tinian) are most frequently mentioned.

On the other hand, Wolfowitz expressed the view of the United States government in his October, 1985, statement: “Alternatives to our present facilities exist but would be much more expensive and considerably less desirable and effective.”¹⁸ In late 1985, the United States Congress approved an administration request for \$104 million for improvements to the bases at Clark Field and Subic Bay.

The military bases and, more broadly, United States–Philippine relations are undoubtedly important, but this issue should not overshadow larger United States interests in Southeast Asia, including the future American relationship with Vietnam and ASEAN and all its member states.

THE ANZUS ALLIES

The United States has long had close political, economic, security and cultural ties with Australia and New Zealand, the major nations of the third important subregion in the Western Pacific—the Southwest Pacific. For both Australia and New Zealand, the United States is a major trading partner. Australia has granted the United States extensive facilities for communications and surveillance and it allows the United States to use Australian airfields as staging areas for long-range reconnaissance

¹⁶“Developments in the Philippines” (Statement by Paul Wolfowitz, assistant secretary of state for East Asian and Pacific affairs, before the Senate Foreign Relations Committee, October 30, 1985); published in United States Department of State, Bureau of Public Affairs, *Current Policy*, no. 760, pp. 1–2.

¹⁷George McT. Kahin, “Forget Philippine Bases,” *The New York Times*, November 6, 1985.

¹⁸Wolfowitz, op. cit., p. 1.

flights over vast reaches of the Indian and Pacific oceans.

From a security perspective, the Southwest Pacific has been a relatively secure part of the world since the Japanese threat was eliminated during World War II. A major guarantee of security in this subregion has been the ANZUS pact. First concluded in 1951, ANZUS has linked Australia and New Zealand with the formidable power of the United States in what was until recently one of the most solid of the many alliances in which the United States has played a central role. But many Australians and New Zealanders have been critical of the alliance for some time. Criticisms stem mainly from a fear of involvement in extraregional conflicts because of the American connection, and from the strong and growing antinuclear and pacifist sentiments in both countries, sentiments that have been championed by the Labor parties now in power in Australia and New Zealand.

The Labor government of Australia has continued to be a faithful partner of the United States. On the other hand, the Labour government of New Zealand has tried to implement an electoral pledge that calls for the banning of warships—even those of ANZUS allies—from entering New Zealand ports if these ships are nuclear powered or nuclear armed. This pledge has caused a crisis in New Zealand's relations with the United States and in ANZUS itself. New Zealand refused a United States request to permit the United States Navy destroyer *Buchanan* to put into a New Zealand port, because the United States would not give assurances that the ship was not carrying nuclear weapons. A bill was introduced in the New Zealand Parliament in December, 1985, to ban the entry of nuclear-armed ships and aircraft. When this legislation was introduced, a United States State Department spokesman warned that its passage would force the United States to review its entire relationship with New Zealand, and that "the probable result of such a review would be the termination of our alliance relationship with New Zealand."¹⁹

There is considerable evidence that many New Zealanders, including Prime Minister David Lange, want to work out an acceptable compromise on this issue. The same flexibility and cooperative spirit should be shown in the United States. The relations of the United States with Australia and New Zealand and the ANZUS alliance are

¹⁹Quoted in "New Zealand Offers Legislation to Ban Nuclear-Armed Ships," *The New York Times*, December 11, 1985. For the contrasting positions of New Zealand and the United States, see David Lange, "New Zealand's Security Policy," *Foreign Affairs*, vol. 63, no. 5 (Summer, 1985); "The ANZUS Alliance" (Statement by Paul Wolfowitz, assistant secretary of state for East Asian and Pacific affairs, before the Subcommittee on Asian and Pacific Affairs of the House Foreign Affairs Committee, March 18, 1985); published in United States Department of State, Bureau of Public Affairs, *Current Policy*, no. 674; and "On Alliance Responsibility" (Address by Secretary of State George Shultz before the East-West Center and the Pacific and Asian Affairs Council, Honolulu, Hawaii, July 17, 1985); published in United States Department of State, Bureau of Public Affairs, *Current Policy*, no. 724.

too important and too extensive to be allowed to deteriorate because of a single-issue difference with New Zealand.

A new era is dawning in the Western Pacific, and the United States would do well to understand its nature and implications. A deeper understanding of this region, and especially its many and varied nations and cultures, is essential for United States policy in the years ahead.

SOUTH KOREA

(Continued from page 163)

Chinese welcomed Korean sports teams to China and engaged in direct diplomatic talks over a defected Chinese airliner.

South Korea has for some years pursued a policy of opening itself to relations with "friendly" Communist regimes. Although it does not have diplomatic relations with any Communist country, it has exchanges and trade with several, and the Soviet Union has allowed unofficial and even some official visits by individuals and groups. South Korea has every reason to continue this policy, since it is hosting the Olympics in 1988 and does not want still another rump series of games. South Korea's best chance of a breakthrough with the Communist world is clearly China, which can draw on reservoirs of traditional respect for the Middle Kingdom.

South Korea's position in the world economy suggests that it could be a "natural" bridge between China, Japan and the United States, offering technology to China and using China's cheaper labor to finish the assembly of products made in Korea. China increasingly looks to South Korea, Taiwan and other Asian nations as models of export-led, light-industrial development. China's clear and often stated preference is for a generation of peace in the Pacific and coexistence and peaceful economic competition in a wide-ranging, interdependent Pacific Basin system. Such a position militates against the confrontational policies and the military buildup of both the Soviet Union and the United States.

Sino-American relations were cool from 1981 until the summer of 1983, but thereafter they warmed considerably and, as they warmed, there was a new breakthrough on Korea. For the first time, China said publicly that it wished to play a role in reducing tension in Korea; this was followed by a major North Korean initiative in January, 1984, which called for tripartite talks between the United States, South Korea and North Korea. North Korea had never before been willing to sit down with both South Korea and the United States at the same time. A flurry of high-level Sino-North Korean visits were exchanged, and it seemed that a breakthrough was in the offing. North Korea was apparently playing a dual game, however, for in mid-1984 Kim Il Sung visited Moscow for the first time in a quarter-century, and since then Pyongyang's relations with Moscow have warmed up much more than most observers predicted.

Thus it is not clear that China can persuade North Korea to go along with its initiatives. Nonetheless, tensions on the peninsula have been reduced markedly since September, 1984, when the South unexpectedly accepted one of the North's perennial offers to help the long-suffering South Korean people, in this case, flood victims. Tons of rice and cement flowed from North to South, inaugurating the deepest South-North exchanges since the country was divided in 1945. Several sessions of Red Cross talks resulted in an epochal exchange of delegations of divided families; for the first time, talks were held on economic exchanges. As 1986 began, a preliminary agreement was hammered out to hold at least a few of the 1988 Olympics events in North Korea which, if the agreement holds, would guarantee North Korean, Soviet and Chinese participation. Former North Korean Foreign Minister Hô Dam, a trusted associate of Kim Il Sung's, made a secret visit to Seoul in September, 1985; he may have tried to arrange a meeting between Kim and Chun. In Kim's 1986 New Year's address, he called for a summit meeting with Chun. Apparently, the chances are good that a high-level meeting between Seoul and Pyongyang will occur soon.

These are courageous and hopeful initiatives. For the second time since the Korean War (the first being 1972), there is a chance to modify the anachronistic confrontation that pits Korean against Korean and represents the threat of a war in which the United States would inevitably be involved and which could quickly escalate to nuclear war.

The United States continues to bear the greatest responsibility for peace on the Korean peninsula, and in many ways it is responsible for failing to resolve the Korean conflict that began some 40 years ago. Nowhere else in the world does the United States back one side of a conflict so exclusively. Nowhere else does the United States directly command the military forces of another sovereign nation. The Soviet Union and China have far less involvement with Korean affairs. Therefore it would seem appropriate that the United States take the initiative by drawing down and eventually ending its troop commitment in Korea, opening talks and trading with the North while continuing to support the South, encouraging China and Japan to move toward equidistance in their treatment of both Koreas, and pursuing every diplomatic and political means toward reducing the high levels of tension.

The behavior and policies of the North, of course, remain an obstacle to a serious reduction of tension. But that is drummed into our heads ad nauseam by American officials. What is usually not recognized as another major obstacle is the inveterate anti-communism and chronic instability of South Korea's political system. Anyone with experience in Korea knows the extraordinary lengths to which the southern elite will go to oppose any accommodation with the North. Both sides continue to claim to be the only legitimate government on the peninsula; both

maintain shadow regimes with a panoply of appointed officials (like provincial governors); and both engage in relentless calumny.

Furthermore, South Korea has failed to solve the endemic problem that began in the 1940's: the gap between the ruling groups and the mass of South Koreans that promotes internal disintegration whenever the top leadership is suddenly eliminated. One suspects that the strongest American objection to an accommodation with North Korea is the likelihood that it would destabilize the South. Yet almost 40 years have passed since the United States assumed responsibility for holding South Korea together. How much longer can this be expected to last, punctuated as it has been by devastating events that have tarnished the American reputation? The United States must continue to pressure South Korea to open up its political system and end the prevalent abuses of human rights.

Strong supporters in the United States Congress and the Department of Defense admire South Korea's anti-Communist recalcitrance, and they demonstrated during the Carter administration that they had enough weight to bring the Korean troop withdrawal program to a creaking halt. In retrospect, this was the worst thing that could have happened; better not to have tried to withdraw troops at all. But the administration of Richard Nixon had succeeded in withdrawing a division of United States troops and had been able to resist Korean pressures (including the "Koreagate" episode). When Kissinger learned in 1975 that Seoul might be about to buy nuclear reprocessing facilities that would give it the raw material for a bomb, he reportedly stopped the effort with one blistering telegram.

Clearly, Washington's leverage over Seoul is still more potent than Seoul's leverage over Washington. New initiatives toward the reduction of tensions and the opening of talks with the North, as well as a gradual troop withdrawal, can proceed without destabilization if the United States uses its leverage in a firm and consistent manner. ■

AUSTRALIA AND NEW ZEALAND

(Continued from page 154)

tional forums. It has goaded both Washington and Moscow to be more conciliatory in working toward arms control. In a few instances, such as MX missile testing and the United States Strategic Defense Initiative, it has declined to be associated with United States military programs.

Given its distress over events in New Zealand, the United States has been especially careful not to collide with the Hawke government. Far too much is at stake with regard to the Australian connection. The ALP government's breaks with the United States have been relatively infrequent and never fundamental. Those differences are, in turn, construed as politically important demonstrations of the government's independent outlook vis-à-vis its domestic critics. Should an ALP government

seriously reduce or repudiate the essentials of the American alliance, it would almost surely suffer electoral reprisal. With some success, the L-NP has in the past damaged Labor on foreign and defense issues, especially in portraying Labor as muddle-headed or a prisoner of its own extremists. It could do so again. ■

TAIWAN

(Continued from page 171)

After the election, the public cautiously applauded the Kuomintang for not panicking and for running a fair and open campaign. Generally, the election was seen as proof that democratization was still on track despite the political difficulties of the last year or two. Some argued that the Kuomintang's electoral success in spite of its problems said something very positive about Taiwan's political leadership.

At almost the same time that Taiwan was holding elections, Sino-American relations were being questioned by the United States Senate, which was reviewing the nuclear agreement made by the administration of President Ronald Reagan to transfer nuclear technology to China. The debate was not very complimentary to Beijing's policies, which were branded by several Senate leaders as furthering nuclear proliferation. The apprehension created by the case of spy Larry Chin, who had been passing secrets to the People's Republic of China for 30 years, also made Taipei look trustworthy by comparison.

Just before the election, Vice President Lee Teng-hui was given Taiwan's highest civilian honor, prompting some speculation that he was in line for succession. This had a salutary effect on most Taiwanese, since Lee is a Taiwanese and is highly respected for his education (a Cornell University doctorate), his political experience (governor of Taiwan and a number of other top positions) and his personal leadership abilities and integrity.

There was also less talk about the President's health—either because he had become more active or, as some said, because his diabetes had improved with new medication. Immediately after the election, Kuomintang officials proposed that a provision be put into the election law specifically prohibiting politicians from making personal attacks on the President or his family, as had happened during the campaign. President Chiang replied publicly that he opposed such a law and stepped in personally to kill the proposal—catching the opposition off guard and surprising some critics abroad, who had made news of the personal attacks on President Chiang while speculating that there would be retaliation.

In a New Year's address, President Chiang cleared the air with a speech that was widely applauded in Taiwan and abroad in which he said that his successor would be chosen in a constitutional manner and that it was not

possible that his successor would be a member of his family. "It cannot happen and it will not happen," he said. The President also said there would be no military government in Taiwan.

CONCLUSION

In terms of economic growth, Taiwan has come close to accomplishing in two-plus decades what West Europe and the United States accomplished in 200 years. It has also experienced rapid political development.

In fact, the speed and magnitude of economic and political change in Taiwan is part of its present problems. However, the fact that Taiwan has accomplished so much in such a short time and at considerable risk may make it a better model for the world's economically and politically underdeveloped nations.

Taiwan is a better model than Western countries or Japan, because it was colonized and because it began to develop in the post-World War II period with little experience in either economic or political development. And it has experienced serious economic and political handicaps. It did not have the advantage of defense provided free of charge or access to United States technology as Japan did. And it is not culturally Western nor does it have a democratic tradition.

Until recently, Taiwan's economic and political development seemed to prove that economic development fostered political development. Instead, recent difficulties, both economic and political, suggest that development in either realm reinforces the other: problem solving in one area reduces the seriousness of problems in the other, and progress in either helps the other.

Taiwan's economic and political success also says something about its future. Per capita income in Taiwan is around 10 times what it is in China. That fact alone should tell observers that there is little support among Taiwan's populace for becoming a part of the People's Republic of China.

Taiwan has moved toward democracy,[†] and democracy accentuates ethnic problems, especially in elections. But this has not been a serious problem. Ethnic differences have disappeared very quickly in the context of a rapid free market, and open opportunity has generated economic growth and the political freedoms associated with democracy. All groups in Taiwan perceive their future in terms of an independent Taiwan.

Some problems remain. Taiwan needs to reestablish itself in the global community. It has not yet decided how it should view Hong Kong. It is uncertain how or when to drop the pretense of claiming China in a way that doesn't unnecessarily provoke leaders in Beijing and arouse Taiwanese at home. How can Taipei deal with a large trade imbalance with its two largest trading partners—a surplus with the United States and a deficit with Japan? Shouldn't Taiwan diversify its trade?

But neither the international community nor the United States—on whom Taiwan's future largely de-

[†]Editor's note: Martial law is still in effect; and only some parliamentary seats, the "vacated seats," are filled by election.

pendes—can doubt that Taiwan's economic and political development is impressive. Taiwan has recently become the eleventh largest trading nation in the world (larger than China, with one-sixtieth the territory). It has become the fifth largest United States trading partner, passing the United Kingdom. Public opinion polls reflect a high degree of confidence in the government and a strong desire to remain on the course of democratization, maintaining ties with the West and the rest of the world, without any desire to become part of a poor and Communist China. ■

THE PHILIPPINES

(Continued from page 158)

and enormous investments in the United States, particularly in California and New York. United States Ambassador to the Philippines Stephen Bosworth said that he had learned from a leading Filipino economist that as much as \$10 billion was removed from the Philippines in recent years. "Now, if even half of that would return to the Philippines for private investment, it would make a considerable difference here."¹⁵ Other American leaders have been more forthright. California Senator Alan Cranston (D.), for instance, thinks that a new "Marshall Plan" is needed to reconstruct the Philippine economy, although nothing could be achieved while "the political cronyism and corruption institutionalized by Marcos" remained in place.¹⁶

Liberal solutions to the economic crisis include dismantling the monopolies of Marcos cronies, reducing the economic concentration of power and abolishing special privileges. But Philippine nationalists argue that what is really needed is "economic democracy," which would preclude a situation of "dependent development." If economic democracy were established, international financial institutions and countries like the United States would not be able to dictate the economic policies of the Philippines.¹⁷

THE UNITED STATES ROLE

United States involvement in the Philippines in the last ten months has been considerable. In October, 1985, Senator Paul Laxalt (R., Nev.), a close friend of President Reagan's, visited Manila, reportedly to deliver a "strong message" to Marcos to "clean up" his government. Before Laxalt's visit, several other American officials had

¹⁵Quoted in Carey et al., op. cit., June 23, 1985.

¹⁶"Mr. Marcos's Friends at Home Lose Him Friends Abroad," *The Economist* (London), November 11, 1985, p. 1.

¹⁷See Joel Rocamora, "The Marcos Dictatorship, the IMF and the Philippine Economic Crisis," *Sourcebook on the Philippine Economic Crisis* (Berkeley: Philippine Resource Center, 1984), pp. 1-6.

¹⁸Paul D. Wolfowitz, "Developments in the Philippines" (Statement before the United States Congress, Senate Foreign Relations Committee, October 30, 1985).

¹⁹See Michael Armacost, "The U.S. and the Philippines: Dangers and Opportunities" (Address before the Portland World Affairs Council, Portland, Oregon, December 5, 1985).

visited the Philippines to talk with Marcos and with various opposition groups. Whether these officials were liberal or conservative, they were deeply concerned with the growing Communist insurgency and the threat it posed to United States interests in the Philippines, notably the military bases at Clark Air Force Base and Subic Bay. Paul Wolfowitz, assistant secretary of state for East Asian and Pacific affairs, declared that United States interests include a stable, prosperous and democratically oriented Philippines; the prevention of a Communist takeover; access to United States air force and naval facilities; and successful regional cooperation in Southeast Asia.¹⁸

Michael Armacost, who served as ambassador to the Philippines in 1982-1984, reiterated these interests in stronger language. He said that the NPA leaders are not "agrarian reformers"; "they are ruthless; they are opportunistic; they have systematically used violence to intimidate local officials and to expand their influence in the rural areas."¹⁹

Some American leaders talk about the Philippines as if it were still their colony and exaggerate the Communist threat. The explosive force that swept the Philippines in 1986 was not communism but nationalism, aided by a rising tide of discontent with and resistance to the Marcos regime.

To this end, United States policy should respect the sovereignty and national interest of the Philippines, which means the withdrawal of American military bases from Philippine territory, among other actions. The sentiment against these bases, especially among young Filipinos, is growing and will grow even more if the United States insists on maintaining its military presence in the country and refuses to dismantle its bases. The United States fears Soviet expansion in the Pacific and is afraid to jeopardize its defense posture in the region. But there is an alternative to "hanging tough." The United States should initiate the process of withdrawing from Clark and Subic and should encourage the Soviet Union to remove its bases in Vietnam, thus creating a "zone of peace, freedom and neutrality" in Southeast Asia, a suggestion made by the Association of Southeast Asian Nations (ASEAN) in 1971.

THE END OF AN ERA

After Marcos declared martial law in 1972, he systematically destroyed Philippine political institutions with his unrelenting manipulations of power. His regime plundered the economy. The military, for the most part a nonpolitical force before the proclamation of martial law, has a newfound power and may be able to take over after Marcos. Filipinos fear that since Marcos has left the scene there may be a succession of unstable military-supported regimes, similar to the regimes that governed South Vietnam before it fell to the Communists. In any case, Marcos so monopolized power for nearly two decades that a smooth transition of leadership will not be easy.

As for the United States, it should be clear that its obsessive fear of communism and its policy of supporting corrupt dictatorships in third world countries are precisely the factors that drive these countries to choose Marxist, socialist, Communist or other political solutions. The United States is drawn into the quagmire when it opposes the struggles of third world peoples against their oppressive governments. The United States supported hated dictators like Nicaragua's Anastasio Somoza, the Shah of Iran and South Vietnam's Ngo Dinh Diem until it was too late. Marcos was in the same league until the United States finally withdrew its support. And no matter how much the United States would like to distance itself from the now defunct Marcos regime, both Philippine society and American influence have been seriously damaged. ■

BOOK REVIEWS

(Continued from page 177)

This collection of essays by some of Korea's leading scholars analyzes the patterns of Korea's foreign policy. Included are discussions of the decision-making process, security policy, the goal of reunification, Korean relations with the United States, China and the Soviet Union, Japan, Africa, other third world nations, and the United Nations. Writing of reunification, Byung Chul Koh concludes that

The Korean experience also suggests that it is exceedingly difficult for two closed systems, each marked by an extraordinary degree of concentration of power at the top and by a commitment not only to widely differing ideologies but also to a long-term objective of subjugating or eclipsing each other, to conduct serious negotiations.

Ilpyong J. Kim, writing about Korean relations with China and the Soviet Union, notes that "the two Koreas can involve the great powers in a sustainable settlement only if the Koreans themselves can come to terms with each other. . . ." Nevertheless, the editors conclude that in the absence of

uncontrollable internal strife, the future of the Republic as a prosperous and independent nation and as a potential peaceful unifier of the Korean peninsula looks reasonably good at this point.

Readers interested in the future of Korea and its role in Asia will find these well-written essays valuable.

O.E.S.

REGIONAL DYNAMICS OF THE INDONESIAN REVOLUTION: UNITY FROM DIVERSITY. Edited by Audrey R. Kahin. (Honolulu: University of Hawaii Press, 1985. 306 pages, glossary, maps and index, \$25.00.)

Forty years after the proclamation of Indonesia's independence, the authors of this collection of essays have drawn on material from Dutch archives and from Japanese and British records to clarify the regional dynamics that characterized the eight Indonesian regions that struggled for independence. There was enor-

mous diversity in the revolutionary activity and in the goals of those who sought to oust their colonial masters. As the editor sums up the study: "In essence, we have been [describing] a series of largely autonomous regional revolutions in pursuit of a common formal goal. . . ." Despite the common goal, many revolutionaries felt betrayed as independent Indonesia took shape. And when the new government made it clear "how far . . . local visions of independent Indonesia differed from its reality," the consequent disillusion led to many of Indonesia's difficulties in the 1980's. This interesting focus on regional dynamics increases the reader's understanding of Indonesia and of the revolutionary process itself.

O.E.S.

THE LONG JOURNEY: VIETNAMESE MIGRATION AND SETTLEMENT IN AUSTRALIA. By Nancy Viviani. (Carleton, Victoria: Melbourne University Press, 1984. 316 pages, graphs and tables, notes and index, n.p.)

A senior lecturer in the School of Modern Asian Studies at Griffith University in Australia, Viviani has drawn on 15 years of experience for her analysis of Australia's experience with Vietnamese refugees in the period from 1975 to the end of 1982.

O.E.S.

POLITICAL PARTIES OF ASIA AND THE PACIFIC. Edited by Haruhiro Fukui. (Westport, Conn.: Greenwood Press, 1985. Two volumes, 1,346 pages, appendixes and index, \$145.00.)

Fukui coordinated the work of 68 regional specialists to assemble this concise reference work. Each country's alphabetically arranged entry gives historical data on current and defunct political parties. A short essay on political development introduces each country's entry. There are three appendixes: a chronology of major events in the countries covered, a genealogy of parties in each country and a typology of parties in the region.

W.W.F.

ON SOUTH ASIA

THE UNITED STATES AND INDIA: THE DIMENSIONS OF INFLUENCE. By Norman D. Palmer. (New York: Praeger, 1984. 300 pages, notes, bibliography and index, n.p.)

Palmer provides an objective, well-written history of United States-Indian relations. After an introductory review of relations during the last 40 years, he examines various areas of conflict and cooperation between the United States and India (economic, security, social and nuclear proliferation).

W.W.F. ■

ERRATA: In Carl Jacobsen's article in our October, 1985, issue, the abbreviation MTB is incorrectly defined on p. 317; MTB stands for motor torpedo boat.

The January, 1986, issue incorrectly stated Peter Ranis's primary affiliation; he is a professor of political science at York College, City University of New York.

THE MONTH IN REVIEW

A Current History chronology covering the most important events of February, 1986, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Arms Control

Feb. 8—U.S. negotiators at the Geneva Conference on Disarmament reject a Soviet proposal to ban the spread of chemical weapons; they say a formal treaty banning chemical weapons production is necessary.

Feb. 20—Warsaw Pact delegates at the Mutual and Balanced Force Reduction (MBFR) talks in Vienna offer a proposal to cut conventional troop strength in Europe.

European Economic Community

(See *Denmark*)

General Agreement on Tariffs and Trade (GATT)

Feb. 12—A spokesman says Mexico's application to join GATT is being examined by a special committee; a ruling on Mexico's membership is expected soon.

International Monetary Fund

(See *Argentina; Peru*)

Iran-Iraq War

Feb. 10—Iran says its forces began an offensive last night and have gained control of Umm al-Rasas, an island in Iraqi territory.

Feb. 13—Iranian troops begin an advance on Basra, Iraq's 2d largest city. Heavy fighting is reported.

Feb. 18—Medical officials in Switzerland confirm that they are treating Iranian soldiers suffering from chemical weapons wounds; Iran has charged Iraq with using chemical weapons in the recent fighting.

Feb. 20—Iraq says it has pushed back Iranian troops at Fao, which was overrun by Iranian troops at the beginning of their offensive this month.

Iran reports that Iraq shot down an Iranian civilian airliner with several Iranian members of Parliament on board; all 46 passengers are reported killed.

The Middle East

Feb. 7—In Amman, Jordan, indirect negotiations between the U.S. and the Palestine Liberation Organization (PLO) end. The negotiations, which used the Jordanian government as an intermediary, break off after the U.S. rejects the PLO demand that the U.S. recognize the principle of self-determination for the Palestinian people in return for PLO acceptance of UN Resolutions 242 and 338, which would require recognition of the state of Israel.

Feb. 19—King Hussein announces that he is ending his year-long effort to negotiate a Middle East peace settlement with PLO Chairman Yasir Arafat. He says that a joint effort can begin only when the PLO's "word becomes [its] bond."

North Atlantic Treaty Organization (NATO)

(See *Spain*)

Organization of Petroleum Exporting Countries (OPEC)

Feb. 4—A 2-day meeting ends; members do not reach an

agreement on production quotas. Oil prices on the spot and futures markets are near \$15 a barrel, the lowest price since 1979.

Feb. 25—The 4 African members of OPEC—Algeria, Libya, Nigeria and Gabon—announce the formation of an African Petroleum Association open to non-OPEC African nations.

United Nations (UN)

Feb. 6—The U.S. vetoes a Security Council resolution condemning Israel's interception of a Libyan jet on February 4. Four nations abstain.

Feb. 13—The Security Council votes 13 to 0 to condemn South Africa for threatening neighboring countries; the U.S. and Britain abstain.

AFGHANISTAN

(See *U.S.S.R.*)

ANGOLA

(See also *U.S., Foreign Policy*)

Feb. 3—President José Eduardo dos Santos dismisses 3 members of his Cabinet and names 3 "super" ministers to oversee several government posts.

ARGENTINA

Feb. 20—The Economy Ministry announces that the government has reached an agreement with the International Monetary Fund (IMF); the agreement will allow Argentina to receive \$865 million in new financing from the IMF and other creditor banks.

BRAZIL

Feb. 8—President José Sarney personally bans the French movie, "Je Vous Salue, Marie," at the request of the Roman Catholic Church, which considers the movie offensive.

Feb. 14—Sarney overrules Foreign Minister Roberto de Abreu Sodré and says Brazil will continue to protect its domestic computer industry.

Feb. 28—President Sarney orders a wage and price freeze and the creation of a new currency, the cruzado; the President says the emergency measures are necessary to combat inflation, which averaged 255 percent in 1985.

CHAD

(See also *Libya*)

Feb. 10—The government reports that Libyan-backed guerrillas attacked government troops in central Chad today.

Feb. 16—In Paris, Defense Minister Paul Quilès says that today French planes bombed an airfield in northern Chad that was being used to supply the Libyan-backed guerrillas.

A contingent of 200 French troops arrives in Ndjamená.

Feb. 17—French authorities report that a lone Libyan airplane dropped a bomb on the Ndjamená airport today.

CHILE

Feb. 6—Leftist guerrillas black out most of Chile and attack public buildings in Santiago.

CHINA

(See also *Korea, South*)

Feb. 9—President Li Xiannian criticizes Communist party officials who engage in “decadent capitalist thinking.”

COSTA RICA

Feb. 3—Oscar Arias Sánchez, the candidate of the governing National Liberal party, is named the winner of yesterday's presidential election.

Feb. 24—Costa Rica and Nicaragua agree to establish a “permanent force of inspection and vigilance” along their border.

CUBA

Feb. 8—The Cuban Communist party ends its 3d party congress; Vilma Espina Guillois is the 1st woman named as a full member of the Politburo, and several ministers are retired.

DENMARK

Feb. 27—In a national referendum, a majority of Danes approve changes in Common Market rules; the changes were opposed by the Parliament.

EGYPT

Feb. 26—The government imposes a 24-hour curfew and deploys troops in Cairo to stop a revolt by several thousand paramilitary policemen that began last night; the revolt stems from a rumor that the policemen's tour of duty would be extended by 1 year.

Feb. 27—The government says that the rebellion by paramilitary policemen has been contained, but there are reports of continuing violence. A government aide says that 36 people have been killed since the rebellion began.

Feb. 28—President Hosni Mubarak dismisses Interior Minister Ahmed Rushdi; he appoints Major General Zaki Badr to the post.

The government says it has arrested more than 3,000 paramilitary policemen who took part in the rioting.

EL SALVADOR

Feb. 12—*The New York Times* reports that the Salvadoran government is allowing the U.S. to send aid to the Nicaraguan contras; Honduras has banned the transport of supplies to the contras through Honduras.

Feb. 13—A court in San Salvador sentences 2 soldiers to 30-year prison terms for killing 2 American and 1 Salvadoran labor advisers in 1981; the military officers who allegedly ordered the killings have not been arrested.

Feb. 21—Several thousand workers demonstrate in San Salvador against the economic austerity program of President José Napoleón Duarte.

Feb. 22—Leftist guerrilla commanders announce that because several leftists and union workers have “disappeared” recently, they will no longer honor their agreement with the government not to kidnap relatives of government and military officials.

FRANCE

(See also *Chad; Haiti*)

Feb. 3—The Foreign Ministry announces the expulsion of 4 Soviet diplomats for unspecified reasons; the Soviet Union retaliates by expelling 4 French diplomats.

Feb. 5—The 2d bomb explosion in Paris in 2 days wounds 9 people; 4 were wounded in yesterday's attack. The Committee of Solidarity with Arab and Middle Eastern Political Prisoners takes responsibility for the attacks and demands the release of 3 men accused of terrorist attacks.

Feb. 8—Haitian President Jean-Claude Duvalier arrives in Talloires, France; the French government has offered him an 8-day period of asylum.

Feb. 14—President François Mitterrand says that because of Duvalier's poor human rights record, France cannot grant him permanent asylum.

Feb. 15—Duvalier rejects an offer of asylum from Liberia; he says he wants to stay in France.

Feb. 16—The government says it has stopped trying to expel Duvalier to the U.S.; today the U.S. refused him an entry visa.

Feb. 23—A group of leading French Jews urges all Lebanese Jews to leave Lebanon; several Lebanese Jews have been killed recently by Muslim extremists.

GERMANY, EAST

(See *Germany, West*)

GERMANY, WEST

(See also *U.S., Foreign Policy*)

Feb. 9—Defense Minister Manfred Wörner calls on West European nations to build an antiballistic missile defense system against intermediate-range nuclear weapons; he says such a system can be built with available technology.

Feb. 17—The Koblenz area prosecutor reports that Chancellor Helmut Kohl is under investigation because he may have given false testimony to a legislative committee investigating political corruption.

Feb. 19—Kohl meets with East German parliamentary president Horst Sindermann in Bonn.

GREECE

Feb. 27—Thousands of workers stage a 1-day strike to protest economic austerity measures imposed by the government on February 25.

GUATEMALA

Feb. 4—Police arrest 600 members of a security police force that has been accused of human rights violations.

HAITI

(See also *France; U.S., Foreign Policy*)

Feb. 1—Antigovernment protests continue; 20 people have been killed since widespread protest began on January 23. President Jean-Claude Duvalier imposed a state of siege yesterday.

Feb. 5—Government spokesmen in Switzerland, Greece and Spain report that Duvalier has asked for political asylum but has been refused.

Feb. 7—Duvalier flees to France on a U.S. Air Force jet; he says he is leaving to spare Haiti a “nightmare of blood.” Lieutenant General Henri Namphy announces the formation of an interim government and imposes a curfew. At least 20 people have been killed today in looting, demonstrations and revenge killings.

Feb. 9—Archbishop of Port-au-Prince François Ligonde asks Haitians to stop the revenge killings and the violence.

Feb. 10—Namphy pledges to hold elections but does not set a date; yesterday the interim government suspended the constitution and dissolved the National Assembly, which had been controlled by Duvalier.

Feb. 18—The government nationalizes Duvalier's property.

Feb. 21—Finance Minister Marcel Léger says the new government is taking legal steps to freeze the foreign assets of Duvalier and his family.

Feb. 27—The government says it will try to extradite Duvalier from France.

HONDURAS(See *Nicaragua*)**INDIA**

Feb. 10—Pope John Paul II ends his 4-day visit.

At least 900 opposition party workers are arrested during a daylong work stoppage to protest food and fuel price increases.

Feb. 20—Thousands of people in several Indian cities protest food and fuel increases; in New Delhi, 10,000 people are arrested but later released; those arrested include most of the political opposition and 100 members of Parliament.

IRAN(See *Intl, Iran-Iraq War*)**IRAQ**(See *Intl, Iran-Iraq War*)**ISRAEL**(See also *Intl, Middle East, UN; Lebanon; Libya; U.S., Foreign Policy*)

Feb. 4—Defense Minister Yitzhak Rabin announces that Israeli jets today intercepted and forced down a Libyan plane carrying Syrian politicians; Rabin says the Israelis were looking for a Palestinian terrorist.

Feb. 11—Soviet Jewish dissident Anatoly Shcharansky arrives in Jerusalem. Shcharansky, imprisoned in 1978 on espionage charges, was released from a Soviet labor camp as part of today's prisoner exchange between West Germany and the Soviet Union.

Feb. 12—Prime Minister Shimon Peres outlines a plan that would give Palestinians on the occupied West Bank authority over health, education, welfare and municipal services. Troop withdrawals from the West Bank are not planned, Peres says.

Feb. 28—John Demjanjuk, an accused Nazi war criminal who was deported from the U.S. yesterday, arrives in Tel Aviv to face charges that he exterminated thousands of Jews at the Treblinka concentration camp during World War II.

ITALY

Feb. 5—Government officials report that 2 Soviet diplomats have been expelled on espionage charges.

Feb. 10—The largest criminal trial in Italian history begins; the government has brought charges against 474 men accused of belonging to the Mafia.

Feb. 21—Red Brigades terrorists try to kill Antonio Da Empoli, an aide to Prime Minister Bettino Craxi; Empoli is wounded and 1 terrorist is killed.

Feb. 27—In the trial of those accused of conspiring to kill Pope John Paul II in 1981, the prosecution asks for the acquittal of 3 Bulgarians, saying that there is insufficient evidence to convict them of plotting with Mehmet Ali Agca to kill the Pope.

JORDAN(See *Intl, Middle East*)**KOREA, SOUTH**

Feb. 15—Four government opponents are released from house arrest; they were confined after they began a petition drive for a constitutional amendment to allow direct presidential elections. Opposition leader Kim Dae Jung remains under house arrest.

Feb. 20—The government places 275 members of the opposition New Korea Democratic party under arrest before they can meet to discuss direct presidential elections.

Feb. 22—A Chinese pilot flies to South Korea to defect; the Chinese government has asked South Korea to return the pilot and the plane.

Opposition spokesmen report that National Assemblyman Lee Chul has been charged with slandering the state because he gave a statement critical of the government to foreign reporters.

Feb. 24—Kim Dae Jung is released after 12 days of house arrest.

LEBANON(See also *France*)

Feb. 3—A bomb explodes in a Christian suburb of Beirut; 10 people are killed. No group takes responsibility.

Feb. 6—President Amin Gemayel says he will not resign; opposition leaders have pushed for his resignation.

Feb. 17—A Lebanese guerrilla group ambushes an Israeli patrol in southern Lebanon; 1 Israeli is killed and 2 are captured.

Feb. 19—In Beirut, the Party of God Shiite extremist group says it has executed 1 of the captured Israelis.

Feb. 21—An Israeli army convoy attacks the Shiite Lebanese village of Kafr Dunin, which is 13 miles from the Israeli border; 1,500 Israeli soldiers have entered southern Lebanon to search for the soldiers captured February 17.

Feb. 22—Israeli troops return to the Israeli "security zone" in southern Lebanon; 2 soldiers and 14 guerrillas were killed during the search operation.

Feb. 23—Lebanese Christian radio accuses Syrian forces in Lebanon of shelling Christian villages in the eastern and northeastern mountains of Lebanon today; Syrian officials deny any artillery fire by Syrian forces.

Feb. 27—Israeli artillery reportedly shell several southern Lebanese villages in retaliation for a Lebanese guerrilla attack on an Israeli patrol in southern Lebanon yesterday; 1 Israeli soldier was killed in the attack.

LIBERIA(See *France; U.S., Legislation*)**LIBYA**(See also *Intl, UN; Chad; Israel; U.S., Foreign Policy*)

Feb. 3—Libyan leader Colonel Muammar Qaddafi opens a 2-day conference of radical Arab groups.

Feb. 4—The government denounces Israel's interception of a Libyan jet yesterday; it accuses the U.S. of aiding the "Zionist air pirates."

Feb. 7—Qaddafi says the Libyan air force will intercept any civilian Israeli plane found over the Mediterranean in order to look for Israeli "terrorists."

Feb. 8—Libyan navy, air force and air defense units begin weeklong maneuvers near Tripoli.

Feb. 20—The government denies direct involvement in the Libyan-supported guerrilla attacks in Chad.

MALAYSIA

Feb. 27—Because of differences with Prime Minister Mahathir Mohamad, Musa Hitam resigns as Deputy Prime Minister and as deputy president of the ruling United Malays National Organization.

MEXICO(See also *Intl, GATT; U.S., Foreign Policy*)

Feb. 21—President Miguel de la Madrid calls on the "international financial community" to provide new repayment terms for Mexico's \$97-billion foreign debt.

MOZAMBIQUE(See *South Africa*)

NEW ZEALAND

Feb. 16—A Soviet cruise liner sinks after hitting rocks off the coast of the South Island of New Zealand; 1 crew member is missing.

NICARAGUA

(See also *Costa Rica; El Salvador; U.S., Foreign Policy*)

Feb. 1—It is reported that the government devalued the cordoba yesterday to 70 cordobas to the dollar; it also eliminated a two-tier exchange rate.

Feb. 21—President Daniel Ortega Saavedra says Nicaragua is ready to hold talks with the U.S. on regional security concerns but will not discuss Nicaragua's internal political structure.

NIGERIA

Feb. 9—U.S. Black Muslim leader Louis Farrakhan is barred by the military government from giving a lecture in Lagos.

PERU

Feb. 1—Shining Path guerrillas kill 12 villagers in Tincuyo.

Feb. 8—The military imposes a curfew on Lima and Callao, effective February 10.

Feb. 11—President Alan García Pérez rejects an IMF deadline for Peru to begin repayment of interest on its foreign debt; the payments have been suspended since August, 1985. Pérez says Peru will begin to pay "when Peru wants to and when it can."

Feb. 21—Shining Path guerrillas bomb 6 embassies; the guerrillas throw dynamite at other targets in Lima.

PHILIPPINES

(See also *U.S., Foreign Policy, Legislation*)

Feb. 7—Presidential elections are held.

Feb. 9—An international election-monitoring team reports that it observed widespread "occurrences of vote-buying and intimidation" by supporters of President Ferdinand Marcos; the team reports no instances of fraud committed by supporters of presidential challenger Corason Aquino.

Feb. 10—After vote counting slows, Marcos orders the government-dominated National Assembly to decide the election. Both sides have claimed victory.

Feb. 11—Former governor of Antique province and Aquino supporter Evelio Javier is shot to death by masked gunmen; a Marcos supporter is implicated in the murder.

Feb. 12—Aquino says she is "alarmed" by U.S. President Reagan's comments of yesterday that there was electoral fraud on both sides.

Feb. 14—The Philippine Roman Catholic bishops call for nonviolent resistance to the expected announcement of Marcos's victory; the bishops say the Marcos campaign engaged in "unparalleled" election fraud.

Feb. 15—The National Assembly proclaims Marcos the winner of the presidential election, with 53.8 percent of the vote.

Feb. 16—Aquino calls for a nationwide civil disobedience program to topple the Marcos government.

Feb. 19—The government announces that the Soviet Union has sent a congratulatory message to Marcos.

Feb. 23—Minister of Defense Juan Ponce Enrile and Deputy Chief of Staff of the armed forces Lieutenant General Fidel Ramos announce their resignations; they take command of a military garrison and call on Marcos to resign, saying that they recognize Aquino as President. Thousands of Filipinos gather to support Aquino at the rebels' headquarters and hold back loyalist troops attempting to advance on the headquarters.

Feb. 25—Marcos is inaugurated President. In a separate ceremony, Aquino is inaugurated and establishes a provisional government.

Marcos and his family flee the Philippines on a U.S. Air Force jet.

Feb. 26—Aquino names a 17-member Cabinet. Marcos arrives in Hawaii.

Feb. 27—Aquino meets with U.S. special envoy Philip Habib in Manila. 34 political prisoners are released.

Feb. 28—Aquino orders the release of all political prisoners, overruling General Ramos, who had asked for the release of the prisoners on a case-by-case basis.

POLAND

Feb. 11—A provincial court dismisses slander charges against Nobel Peace Prize winner Lech Walesa.

PORTUGAL

Feb. 16—Former Prime Minister Mário Soares wins the runoff presidential election against conservative Christian Democrat Freitas do Amaral; Soares is the 1st civilian President in 60 years.

SAUDI ARABIA

(See *U.S., Foreign Policy*)

SOUTH AFRICA

(See also *Intl, UN*)

Feb. 2—President P. W. Botha places a 2-page advertisement in newspapers proclaiming his commitment to power-sharing with the black majority through a national statutory council; black leaders say such a council does not offer political power.

Feb. 5—The government announces that it plans to grant the black "homeland" of KwaNdebele independence by December.

Feb. 7—Foreign Minister Roelof Botha is reprimanded by President Botha for saying that a black South African President "would possibly become unavoidable" in the future.

Frederik van Zyl Slabbert, the head of the opposition Progressive Federal party, resigns; he says he does not think the government intends to end apartheid.

Feb. 11—The government refuses to release jailed black activist Nelson Mandela in exchange for Soviet dissidents Anatoly Shcharansky and Andrei Sakharov; President Botha made the suggestion last month.

Feb. 12—Winnie Mandela reports that her husband would not agree to his release if it were conditioned on his exile to Zambia.

Feb. 17—Police fire on black youths in Alexandra, a segregated black township near a white Johannesburg suburb; at least 14 blacks have been killed in the last 3 days.

Feb. 20—In London, the South African government reaches an agreement with its international creditors; foreign banks will maintain and renew existing loans to South Africa.

The government announces that "white" business districts in Johannesburg and Durban will become open to all races today.

Feb. 27—A 3-day strike by 12,000 black mineworkers ends; the strike began when mine owners arrested 9 miners for killing 4 supervisors.

In Maputo, Mozambique, Foreign Minister Botha says that the Nkomati accord, a nonaggression pact between South Africa and Mozambique, is "alive and well"; Mozambique has accused South Africa of continuing to aid antigovernment guerrillas in Mozambique.

SOUTH YEMEN

Feb. 15—Government officials say that 13,000 people were killed in last month's coup that overthrew President Ali Nasser Mohammed.

SPAIN

Feb. 23—In Madrid, march organizers estimate that 750,000 people took part in today's protest against Spain's membership in NATO; a national referendum on membership is scheduled for March.

SRI LANKA

- Feb. 2—The government reports that troops have destroyed a major Tamil Eelam Liberation Organization base and have killed at least 60 Tamil guerrillas in the last 3 days.
- Feb. 16—The Tamil Eelam Liberation Organization says its guerrillas ambushed and killed 55 Sri Lankan soldiers in northern Sri Lanka today.
- Feb. 19—The government says a land mine planted by Tamil separatist guerrillas killed 36 people today in northeastern Sri Lanka; only 4 of the dead were soldiers.

SUDAN

Feb. 20—The military government says it has convened a special court to try deposed President Gaafar Nimeiry and 6 men who helped Nimeiry take power in 1969.

SWEDEN

Feb. 28—Prime Minister Olof Palme is shot to death in Stockholm; police say that no one has claimed responsibility for the killing.

SYRIA

(See *Lebanon*)

U.S.S.R.

(See also *Intl. Arms Control*; *France*; *Israel*; *Italy*; *New Zealand*; *Philippines*; *U.S.*, *Foreign Policy*)

- Feb. 1—The government announces that it is naming 2 craters on Venus in honor of the 2 U.S. women astronauts killed when the U.S. space shuttle exploded January 28.
- Feb. 6—In a meeting with visiting U.S. Senator Edward Kennedy (D., Mass.), General Secretary Mikhail Gorbachev says he wants to see practical results from his next summit meeting with U.S. President Ronald Reagan.
- Feb. 7—In an interview with the French Communist party newspaper *L'Humanité*, Gorbachev rules out the emigration of Nobel Peace Prize winner Andrei Sakharov, asserting that Sakharov is "in the possession of state secrets."
- Feb. 13—An agreement is signed with the U.S. to restore air service between the U.S. and the Soviet Union on April 29.
- Feb. 18—The party's Central Committee announces that former Moscow party leader Viktor Grishin has been removed from the Politburo; Boris Yeltsin, the Moscow party leader, is named a nonvoting Politburo member.
- Feb. 20—The Soviet Union launches a new space station.
- Feb. 25—Gorbachev opens the 27th party congress in Moscow. In a 5-hour speech Gorbachev covers foreign and domestic topics; he calls for a new approach to Soviet economic development, says he would like to withdraw Soviet troops from Afghanistan and denounces terrorism.
- Feb. 27—A Soviet spy satellite enters the earth's atmosphere, disintegrating and crashing into the Australian desert.

UNITED KINGDOM**Great Britain**

Feb. 11—The High Court in London freezes the assets of Britain's largest print union, the Society of Graphical and Allied Trades; the penalty stems from union efforts to stop the distribution of papers owned by press magnate Rupert Murdoch; Murdoch fired 6,000 press workers after he moved his newspapers to a new press plant.

Feb. 21—John Bothwell, a retired U.S. naval commander, is arrested for spying for the Soviet Union.

UNITED STATES**Administration**

(See also *Science and Space*)

- Feb. 3—The Federal Aviation Administration (FAA) orders the nation's airlines to inspect the frames of up to 160 Boeing 747 jumbo jets for cracks if they have made more than 14,000 landings.
- Feb. 4—President Ronald Reagan gives his State of the Union message to Congress and the nation; he pays tribute to the American family as "the moral core of our society, guardian of our values and hopes for the future." He also asks for united efforts to curb government spending and calls for a new study of the welfare system.
- Feb. 5—President Reagan announces that he has instructed the surgeon general of the U.S. to prepare a "major report" on acquired immune deficiency syndrome (AIDS) and to seek "a cure for AIDS."

President Reagan sends his \$994-billion budget for fiscal 1987 to Congress. Revenues are estimated at \$850.4 billion, with a deficit of \$143.6 billion. The President proposes spending \$274.3 billion for the military, a 6.2 percent increase; agricultural supports would decrease 24.7 percent, to \$19.5 billion. Social Security expenditures would not change, although outlays would increase to \$209.6 billion; federal programs like the Small Business Administration would be eliminated. Should Congress not adopt a budget that meets the new statutory deficit ceilings of the Balanced Budget and Emergency Deficit Reduction Control Act of 1985 (Gramm-Rudman), automatic budget cuts will go into effect.

- Feb. 7—A 3-judge court rules unanimously that part of the 1985 deficit reduction control act is unconstitutional because Congress cannot delegate authority over the budget to the comptroller general of the U.S. or other officials who could be removed by Congress through legislation. The court rules further that such authority could be delegated to the President or individuals answerable to him. The decision's effect is stayed to allow for an appeal to the Supreme Court.
- Feb. 12—The Farmers Home Administration (FmHA) mails more than 65,000 letters to farmers around the country notifying them to restructure or renegotiate their loan payments or face foreclosure.

Interior Secretary Donald Hodel removes Lee Iacocca as chairman of the U.S. advisory commission on the restoration of the Statue of Liberty and the historic buildings on Ellis Island "in order to avoid any question of conflict of interest," because Iacocca is also head of a separate foundation that has raised \$233 million for the restoration.

Feb. 14—Agriculture Secretary John Block leaves his post to head a trade group representing 400 food distributors.

President Reagan signs an executive order that maintains low grazing fees for ranchers using U.S. grazing lands.

Feb. 18—The Farm Credit System reports a \$2.69-billion loss for 1985.

President Reagan nominates John Bohn Jr. to succeed William Draper 3d as president of the Export-Import Bank.

Feb. 19—Acting Secretary of Agriculture John Norton resigns after only 5 days in his post.

Fred F. Field resigns as White House counsel to enter private practice.

Feb. 20—Commissioner of the Immigration and Naturalization Service Alan C. Nelson reports "the greatest surge of people in history across our southern border." He says the service expects some 1.8 million illegal aliens from Mexico and Central America to enter the U.S. in 1986.

Transportation Secretary Elizabeth Dole announces a

"comprehensive review" of airport security systems at U.S. airports.

Feb. 21—Retired Central Intelligence Agency (CIA) analyst Larry Wu-Tai Chin, a convicted spy for China, commits suicide in his prison cell.

Feb. 22—The White House announces the selection of Peter J. Wallison as White House counsel.

Feb. 26—In a nationwide television address, President Reagan asks the nation to support his arms increase proposals, declaring that the "security program that you and I launched to restore American strength is in jeopardy. . . ." He maintains that those who would cut it endanger negotiations with the Soviet Union.

Economy

Feb. 6—President Reagan makes his annual economic report to Congress; he pledges more deregulation for banks, the deregulation of natural gas prices and the dismantling of the federal farm support program.

Feb. 7—The Labor Department reports that the nation's unemployment rate fell to 6.6 percent in January.

Feb. 8—The Congressional Office of Technology Assessment reports that in the 1979 to 1984 period, 11.5 million people lost their jobs because of plant shutdowns or relocations; only 60 percent of them found new jobs in that period.

Feb. 14—The Labor Department reports that its producer price index fell 0.7 percent in January.

Feb. 19—The administration sends Congress 2 bills mandating the relaxation of antimerger legislation.

Feb. 20—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 1.2 percent in the 4th quarter of 1985.

Feb. 25—The Labor Department reports that its consumer price index rose 0.3 percent in January.

Feb. 27—The New York Stock Exchange's Dow Jones industrial average of 30 leading stocks closes at a new record high of 1,713.99.

Feb. 28—The Commerce Department reports that the U.S. had a record \$16.5-billion trade deficit in January.

Foreign Policy

(See also *Intl, Arms Control, Middle East, UN, El Salvador, Haiti, Israel, Libya, Nicaragua, Philippines, U.S.S.R., Vietnam*)

Feb. 1—The White House announces that Representative John Murtha (D., Pa.) and Senator Richard Lugar (R., Ind.) will be co-chairmen of the 19-member official U.S. delegation to observe the upcoming Philippine election.

Feb. 4—State Department spokesman Bernard Kalb says that although the U.S. "opposes the interception of aircraft in a peacetime situation," the U.S. will not make any judgment about the Israeli interception of a Libyan plane that Israel thought carried terrorist leaders.

Secretary of State George Shultz asks Congress to provide \$4.4 billion for antiterrorist security improvement at U.S. embassies.

Feb. 5—President Reagan meets at the White House with West Germany's Social Democratic party candidate for Chancellor, Johannes Rau, who opposes German Chancellor Helmut Kohl.

Feb. 7—In a report released today entitled "United States Military Posture," the Joint Chiefs of Staff indicate that the Soviet Union "continues to comply with the SALT II treaty by dismantling strategic systems" as new systems are introduced; this statement contradicts statements made by President Reagan.

The Treasury and State departments announce that U.S. oil companies operating in Libya can continue to make profits from Libyan oil; the profits will be put into escrow

until the companies "completely terminate . . . [their] remaining activities in Libya." No deadline has been set for complying with the general United States economic sanctions against Libya.

Feb. 10—Speaking of the Philippine presidential elections and the charges of fraud associated with them, President Reagan says that "in spite of all these charges, there is . . . evidence of a strong two-party system now in the islands."

At a press conference, the President says that there may have been fraud and violence "on both sides" in the Philippine election.

Feb. 11—President Reagan announces that he is sending Philip Habib to the Philippines as his personal representative "to assess the desires and needs of the Filipino people."

Feb. 13—Habib leaves for the Philippines; meanwhile, Senator Sam Nunn (D., Ga.) tells President Reagan in a letter that Corazon Aquino is the winner in the Philippine election by actual vote count and that President Ferdinand Marcos and his allies "are in the process of making an all-out effort to steal the election. . . ."

Feb. 18—Assistant Secretary of State for African Affairs Chester Crocker tells the Senate Foreign Relations Committee that the Reagan administration will provide some \$15 million in covert military aid for Jonas Savimbi's rebels fighting the government of Angola.

Feb. 20—President Reagan makes a short visit to Grenada and denounces the Nicaraguan government.

The State Department reports that in 1985 Mexico was again the largest exporter of marijuana and heroin to the U.S.; some other drug-producing countries have eradicated some drug-producing facilities.

Feb. 22—The White House issues a statement in effect endorsing statements by Philippine Defense Minister Juan Ponce Enrile and Deputy Chief of Staff Lieutenant General Fidel V. Ramos; both have resigned from the Philippine government and have called for the immediate resignation of President Marcos.

President Reagan sends a letter to Soviet General Secretary Mikhail Gorbachev outlining proposals for the elimination of U.S. and Soviet medium-range missiles in Europe.

Feb. 25—The U.S. Air Force flies Marcos to Guam.

President Reagan asks Congress for \$100 million in military and humanitarian aid for the contras fighting the government of Nicaragua.

Feb. 26—President Reagan congratulates Philippine President Corazon Aquino and praises Marcos for a "difficult and courageous" decision to step down.

The State Department announces that the U.S. will release \$26.6 million in aid to Haiti.

White House spokesman Larry Speakes says that the U.S. will not agree to link the proposed summit meeting of President Reagan and Soviet General Secretary Gorbachev to progress in the Geneva arms control talks.

Marcos, his family and close supporters arrive in Hawaii.

Feb. 27—The White House discloses today that 12 hours before officially asking Marcos to leave, President Reagan sent him a message saying that he and his family and close associates would be welcome in the U.S.

Feb. 28—Administration officials report that President Reagan will ask Congress to approve the sale of more than \$300 million worth of antiaircraft, antiship and air-to-air missiles to Saudi Arabia.

Labor and Industry

Feb. 19—Korea's Hyundai Corporation announces that its new Excel car will go on sale in the U.S. tomorrow.

Feb. 24—Eastern Airlines agrees to sell the airline to Texas Air in a move to avert bankruptcy.

Legislation

- Feb. 5—Republican and Democratic leaders in Congress agree that President Reagan's budget has no chance of passing in its present form and that Congress will make major changes in it.
- Feb. 18—The House adopts a nonbinding resolution urging President Reagan to suspend aid to Liberia until Liberia improves its human rights record; the Senate has already adopted a similar measure.
- Feb. 19—Voting 85 to 9, the Senate adopts a resolution declaring that, because of "widespread fraud," the Philippine election "cannot be considered a fair reflection of the will of the people of the Philippines."
- Voting 83 to 11, the Senate adopts the Convention on the Prevention and Punishment of the Crime of Genocide; the convention was adopted by the UN General Assembly in 1948 and was first submitted to the Senate 37 years ago.
- Feb. 20—The Senate votes 92 to 0 to approve an antiterrorist bill that would empower the U.S. to bring charges against terrorists who attack Americans anywhere in the world.
- Feb. 25—The Senate approves a measure, previously passed by the House, to permit the Veterans Administration to guarantee up to \$18.2 billion in home loans during fiscal 1986; without this legislation, the VA would have had to stop granting loans after spending \$11.5 billion, because of budget cuts.
- Feb. 27—The Senate votes 67 to 21 to try televising its procedures beginning June 1; the House has been televising its procedures since 1979.

Military

- Feb. 4—Secretary of Defense Caspar Weinberger sends his department's defense budget to Congress; it totals some \$311.6 billion and includes \$4.8 billion for research on the Strategic Defense Initiative.
- Feb. 7—The U.S. Navy lifts its temporary ban on the General Dynamics Corporation, permitting it to bid on government contracts.
- Feb. 11—Weinberger orders 48 changes in security procedures in the military, including a reliability check program for holders of top-secret clearance.
- Feb. 20—Under an executive directive signed by President Reagan on February 19, members of the armed forces convicted of espionage in peacetime can be executed; the new directive takes effect March 1.

Science and Space

- Feb. 2—William R. Graham, acting administrator of the National Aeronautics and Space Administration (NASA), says that because the designers believed that the shuttle's booster rockets were "not susceptible to failure," they were not equipped with warning sensors.
- Feb. 3—A 12-member independent panel is named by President Reagan to investigate the cause of the explosion of the space shuttle *Challenger*.
- Feb. 6—NASA officials reveal that the day before the fatal launch, NASA officials talked with officials at Morton Thiokol Inc., manufacturer of the booster rockets, and agreed that the launch should proceed despite concern about freezing temperatures and their effect on the rocket seals.
- Feb. 8—*The New York Times* reports that documents from NASA's files reveal NASA engineers were worried about the possibility of leaks in the booster seals; one analyst warned that safety was being jeopardized "by potential failure of the seals."

The presidential commission investigating the *Challenger* catastrophe asks NASA to exclude from its own investigation NASA officials who may have taken part in the decision-

making process leading up to the shuttle launch.

- Feb. 10—*The New York Times* reveals that a report prepared for the Air Force and given to NASA 2 years ago said that the chance of a catastrophic accident involving the shuttle's rocket booster was 1 in 35.
- Feb. 12—NASA officials admit that the agency waived a requirement for backup safety seals on booster rockets 3 years ago.
- Feb. 17—Sources close to the shuttle investigation report an "alarming lack of communication" at NASA before the *Challenger* launch; Thiokol's warnings were not given to officials who made the decision to launch the shuttle.
- Feb. 20—NASA names Rear Admiral Richard H. Truly to succeed Jesse W. Moore as associate administrator for space flight and as head of NASA's investigation of the *Challenger* tragedy.
- Feb. 25—NASA administrator James Beggs resigns; he is under indictment on fraud charges stemming from his employment as an executive in the General Dynamics Corporation.
- Engineers from Morton Thiokol testify before the presidential investigating committee that they were under pressure from NASA officials to allow the launching of *Challenger*.
- Feb. 26—Middle-level NASA executives deny that they pressured Morton Thiokol to agree to the launching of *Challenger*.
- Feb. 27—Officials of Rockwell International, builders of the *Challenger*, tell the presidential investigating committee that they had warned high NASA officials that it was unsafe to launch the shuttle because of ice conditions on the launch pad.

President of the investigating committee William P. Rogers charges NASA with abandoning "good judgment and common sense" in the way it handled safety considerations.

Supreme Court

- Feb. 25—In a 7-2 decision, the Supreme Court overrules a lower-court and agrees that local zoning officials have broad discretionary powers to restrict the location of movie theaters showing sexually explicit films.
- The Court rules 5 to 3 to overrule a lower court; it concludes that utilities cannot be forced to include messages by their opponents in their billing envelopes.
- Feb. 26—Overruling a lower appellate court, the Court rules unanimously that a convicted criminal defendant's constitutional rights were not violated by his lawyer's threat to expose him if he lied in the course of his murder trial.

In an 8-1 decision, the Court upholds a lower court and says that federal antitrust laws do not prevent cities from imposing rent control laws, even if competition is thereby reduced.

U.S. TRUST TERRITORIES

- Feb. 22—Residents of Palau approve a new political and military relationship with the U.S.; incomplete returns show that 65 percent of the voters have approved the 50-year agreement during which Palau will receive almost \$1 billion in U.S. aid.

VATICAN (See India)

VIETNAM

- Feb. 15—U.S. congressman Gerald Solomon (R., N.Y.), says that Vietnamese Deputy Foreign Minister Hoan Bich Son told him during a recent visit that Vietnamese teams were investigating reports of Americans living in remote areas; Vietnam usually denies there are American servicemen living in Vietnam. ■

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